No. 15-777

Title:	Samsung Electronics Co., Ltd., et al., Petitioners v. Apple Inc.
Docketed:	December 16, 2015
Linked with 15A421	
Lower Ct:	United States Court of Appeals for the Federal Circuit
Case Nos.:	(2014-1335, 2015-1029)
Decision Date:	May 18, 2015
Rehearing Denied:	August 13, 2015

Questions Presented

---Date---	-------Proceedings and Orders----------
Oct 19 2015	Application (15A421) to extend the time to file a petition for a writ of certiorari from November 11, 2015 to December 14, 2015, submitted to The Chief Justice.
Oct 20 2015	Application (15A421) granted by The Chief Justice extending the time to file until December 14, 2015.
Dec 14 2015	Petition for a writ of certiorari filed. (Response due January 15, 2016)
Dec 21 2015	Consent to the filing of amicus curiae briefs, in support of either party or of neither party, received from counsel for the petitioners.
Jan 4 2016	Order extending time to file response to petition to and including February 16, 2016.
Jan 14 2016	Brief amici curiae of Public Knowledge, et al. filed.
Jan 15 2016	Brief amici curiae of The Hispanic Leadership Fund, et al. filed.
Jan 15 2016	Brief amici curiae of Dell Inc., et al. filed.
Jan 15 2016	Brief amici curiae of 37 Intellectual Property Professors filed.
Jan 15 2016	Brief amicus curiae of The Computer & Communications Industry Association filed.
Jan 15 2016	Brief amicus curiae of Systems, Inc. filed.
Feb 3 2016	Brief of respondent Apple Inc. in opposition filed.
Feb 16 2016	Reply of petitioner Samsung Electronics Co., Ltd. filed.
Feb 17 2016	DISTRIBUTED for Conference of March 4, 2016.
Mar 14 2016	DISTRIBUTED for Conference of March 18, 2016.
Mar 21 2016	Petition GRANTED limited to Question 2 presented by the petition.
Apr 5 2016	The time to file the joint appendix and petitioners' brief on the merits is extended to and including June 1, 2016.
Apr 5 2016	The time to file respondent's brief on the merits is extended to and including July 29, 2016.

May 18 2016	Consent to the filing of amicus curiae briefs, in support of either party or of neither party, received from counsel for the petitioners.
Jun 1 2016	Joint appendix filed. (2 Volumes)
Jun 1 2016	Brief of petitioners Samsung Electronics Co., Ltd., et al. filed.
Jun 7 2016	Brief amici curiae of Public Knowledge, et al. filed.
Jun 8 2016	Brief amicus curiae of the United States in support of neither party filed.
Jun 8 2016	Brief amicus curiae of BSA I The Software Alliance in support of neither party filed.
Jun 8 2016	Brief amicus curiae of Nike, Inc. in support of neither party filed.
Jun 8 2016	Brief amicus curiae of Software Freedom Law Center filed.
Jun 8 2016	Brief amici curiae of The Internet Association, et al. filed.
Jun 8 2016	Brief amicus curiae of The Computer & Communications Industry Association filed.
Jun 8 2016	Brief amicus curiae of Association of the Bar of the City of New York in support of neither party filed.
Jun 8 2016	Brief amici curiae of Engine Advocacy and Shapeways, Inc. filed.
Jun 8 2016	Brief amici curiae of 50 Intellectual Property Professors, David Abrams, et al. filed.
Jun 8 2016	Brief amicus curiae of Industrial Designers Society of America in support of neither party filed.
Jun 8 2016	Brief amici curiae of The Hispanic Leadership Fund, et al. filed.
Jul 13 2016	SET FOR ARGUMENT on Tuesday, October 11, 2016.
Jul 22 2016	Record requested from U.S.C.A. Federal Circuit.
Jul 22 2016	Records received from U.S.C.A. Federal Circuit is electronic and located on PACER. Also received is a confidential Joint Appendix not available on PACER is also electronic.
Jul 22 2016	Record received from U.S.D.C. Northern District of California is electronic and located on PACER.
Jul 29 2016	Brief of respondent Apple Inc. filed.
Aug 4 2016	Brief amici curiae of 113 Distinguished Industrial Design Professionals and Educators filed.
Aug 4 2016	Brief amicus curiae of American Intellectual Property Law Association filed.
Aug 5 2016	Motion of the Acting Solicitor General for leave to participate in oral argument as amicus curiae and for divided argument filed.
Aug 5 2016	Brief amicus curiae of Crocs, Inc. filed. (Distributed).
Aug 5 2016	Brief amicus curiae of Nordock, Inc. filed. (Distributed)
Aug 5 2016	Brief amici curiae of Tiffany and Company, et al. filed. (Distributed)
Aug 5 2016	Brief amicus curiae of Boston Patent Law Association filed. (Distributed)
Aug 5 2016	Brief amici curiae of Intellectual Property Professors filed. (Distributed).
Aug 5 2016	Brief amicus curiae of ACT | The App Association filed. (Distributed)
Aug 5 2016	Brief amici curiae of Bison Designs, LLC, et al. filed. (Distributed)
Aug 5 2016	Brief amicus curiae of Roger Cleveland Golf Company, Inc. filed. (Distributed)
Aug 9 2016	CIRCULATED

Aug 29 2016	Reply of petitioners Samsung Electronics Co., Ltd., et al. filed. (Distributed)
Sep 26 2016	Motion of the Acting Solicitor General for leave to participate in oral argument as amicus curiae and for divided argument GRANTED.
Oct 11 2016	Argued. For petitioners: Kathleen M. Sullivan, New York, N. Y. For United States, as amicus curiae: Brian H. Fletcher, Assistant to the Solicitor General, Department of Justice, Washington, D. C. For respondent: Seth P. Waxman, Washington, D. C.
Dec 6 2016	Judgment REVERSED and case REMANDED. Sotomayor, J., delivered the opinion for a unanimous Court.
Jan 9 2017	JUDGMENT ISSUED.

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Supreme Court, U.S.
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No. 15-777

IN THE

Supreme Court of the United States

SAMSUNG ELECTRONICS CO., LTD., SAMSUNG ELECTRONICS AMERICA, INC., AND SAMSUNG TELECOMMUNICATIONS AMERICA, LLC,

Petitioners,

v.

APPLE INC.,

Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

PETITION FOR A WRIT OF CERTIORARI

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QUESTIONS PRESENTED

Design patents are limited to "any new, original and ornamental design for an article of manufacture." 35 U.S.C. 171. A design-patent holder may elect infringer's profits as a remedy under 35 U.S.C. 289, which provides that one who "applies the patented design ... to any article of manufacture ... shall be liable to the owner to the extent of his total profit, ... but [the owner] shall not twice recover the profit made from the infringement."

The Federal Circuit held that a district court need not exclude unprotected conceptual or functional features from a design patent's protected ornamental scope. The court also held that a design-patent holder is entitled to an infringer's entire profits from sales of any product found to contain a patented design, without any regard to the design's contribution to that product's value or sales. The combined effect of these two holdings is to reward design patents far beyond the value of any inventive contribution. The questions presented are:

1. Where a design patent includes unprotected non-ornamental features, should a district court be required to limit that patent to its protected ornamental scope?

2. Where a design patent is applied to only a component of a product, should an award of infringer's profits be limited to those profits attributable to the component?

RULE 29.6 STATEMENT

Samsung Electronics America, Inc. ("SEA") is a wholly-owned subsidiary of Samsung Electronics Co., Ltd. ("SEC"), a publicly held corporation organized under the laws of the Republic of Korea. SEC is not owned by any parent corporation and no other publicly held corporation owns 10% or more of its stock. No other publicly held corporation owns 10% or more of SEA's stock. Effective January 1, 2015, Samsung Telecommunications America, LLC ("STA") merged with and into SEA, and therefore STA no longer exists as a separate corporate entity.

TABLE OF CONTENTS

	Page
QUESTIONS PRESENTED	i
RULE 29.6 STATEMENT	ii
INTRODUCTION	1
OPINIONS BELOW	3
JURISDICTION	4
CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED	4
STATEMENT OF THE CASE	4
A. Statutory Background	4
B. The Smartphone Industry	6
C. Apple's Asserted Design Patents And Trade Dresses	10
D. The District Court Proceedings	14
E. The Federal Circuit Decision	17
REASONS FOR GRANTING THE WRIT	20
I. THIS COURT SHOULD REVIEW THE FEDERAL CIRCUIT'S HOLDING THAT A DISTRICT COURT NEED NOT LIMIT A DESIGN PATENT TO ITS PROTECTED ORNAMENTAL SCOPE	21
A. The Decision Below Conflicts With Section 171 Of The Patent Act	21
B. The Decision Below Conflicts With This Court's Precedents Requiring Judicial Construction Of Patent Claims	24

TABLE OF CONTENTS—Continued

Page

II. THIS COURT SHOULD REVIEW THE FEDERAL CIRCUIT'S HOLDING THAT DESIGN-PATENT OWNERS ARE ENTITLED TO ALL PROFITS FROM A PRODUCT THAT CONTAINS AN INFRINGING DESIGN 26

A. The Decision Below Conflicts With Section 289 Of The Patent Act And Prior Decisions 27

B. The Decision Below Conflicts With Background Principles Of Causation And Equity 32

III. THE DECISION BELOW PRESENTS ISSUES OF RECURRING AND NATIONWIDE IMPORTANCE 35

CONCLUSION 39

APPENDIX A – Federal Circuit Opinion (May 18, 2015) 1a

APPENDIX B – District Court Order Regarding Design Patent Claim Construction (July 27, 2012) 37a

APPENDIX C – District Court Order Granting In Part And Denying In Part Motion For Judgment As A Matter Of Law (January 29, 2013) 56a

APPENDIX D – District Court Order Regarding Damages (March 1, 2013) 114a

APPENDIX E – Federal Circuit Order Denying Rehearing (August 13, 2015) 154a

TABLE OF CONTENTS—Continued

Page

APPENDIX F – Relevant Statutory Provisions 156a

APPENDIX G – Excerpts Of Transcript Of District Court Proceedings (August 21, 2012) 159a

TABLE OF AUTHORITIES

CASES Page(s)

Apple Computer, Inc. v. Microsoft Corp.,
35 F.3d 1435 (9th Cir. 1994) 23

Apple Inc. v. Samsung Elecs. Co.,
695 F.3d 1370 (Fed. Cir. 2012) 36

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735 F.3d 1352 (Fed. Cir. 2013) 32

Bilski v. Kappos,
561 U.S. 593 (2010) 5, 21

Bonito Boats, Inc. v. Thunder Craft Boats, Inc.,
489 U.S. 141 (1989) 5, 21, 38

Brown Bag Software v. Symantec Corp.,
960 F.2d 1465 (9th Cir. 1992) 23

Bush & Lane Piano Co. v. Becker Bros.,
222 F. 902 (2d Cir. 1915) 28

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435 U.S. 247 (1978) 33

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484 U.S. 9 (1987) 35

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982 F.2d 693 (2d Cir. 1992) 23

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118 U.S. 10 (1886) 1, 34

TABLE OF AUTHORITIES—Continued

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114 U.S. 439 (1885) 34

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544 U.S. 336 (2005) 33

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547 U.S. 388 (2006) 26, 33, 36

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Gorham Co. v. White,
81 U.S. 511 (1871) 1, 21

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383 U.S. 1 (1966) 38

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513 U.S. 561 (1995) 30

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730 F.3d 1301 (Fed. Cir. 2013) 24

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503 U.S. 258 (1992) 33

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456 U.S. 844 (1982) 24

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56 U.S. 546 (1853) 33

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517 U.S. 370 (1996) 25

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2014 WL 4185297
(M.D. Fla. Aug. 22, 2014) 32

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134 S. Ct. 1710 (2014) 33

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594 F.3d 860 (Fed. Cir. 2010) 30

Riley v. California,
134 S. Ct. 2473 (2014) 6

Rite-Hite Corp. v. Kelley Co.,
56 F.3d 1538 (Fed. Cir. 1995) 30

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309 U.S. 390 (1940) 31, 33

Skechers U.S.A., Inc. v. DB Shoe Co.,
No. 14-cv-07009 (C.D. Cal.) 32

Smith v. Whitman Saddle Co.,
148 U.S. 674 (1893) 1, 5

Teva Pharms. USA, Inc. v. Sandoz, Inc.,
135 S. Ct. 831 (2015) 25

Tilghman v. Proctor,
125 U.S. 136 (1888) 33

TrafFix Devices, Inc. v. Mktg. Displays, Inc.,
532 U.S. 23 (2001) 24

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750 F.2d 1552 (Fed. Cir. 1984) 34

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133 S. Ct. 2517 (2013) 33

Young v. Grand Rapids Refrigerator Co.,
268 F. 966 (6th Cir. 1920) 29

In re Zahn,
617 F.2d 261 (C.C.P.A. 1980) 10, 28

CONSTITUTION, STATUTES, AND REGULATION

U.S. Const., art. I, § 8, cl. 8 ..... 4, 38

Act of May 9, 1902, ch. 783,
Pub. L. No. 57-109, 32 Stat. 193 5

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Pub. L. No. 79-587, 60 Stat. 778 6

17 U.S.C. 25(b) (1940) 31

28 U.S.C. 1254(1) 4

35 U.S.C. 1 4

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35 U.S.C. 171 ..... i, 4, 21, 23, 28

35 U.S.C. 284 ..... 5, 30

35 U.S.C. 289 ..... i, 2, 3, 5, 6, 19, 26, 27, 30, 31, 32, 34, 35

37 C.F.R. 1.362(b) 5

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USPTO, http://www.uspto.gov/corda/dashboards/patents/main.dashxml?CTNAVID=1006..... 5

Vintage Mobiles, http://www.gsmhistory.com/vintage-mobiles/..... 6

WALTER ISAACSON, STEVE JOBS (2011)..... 9

INTRODUCTION

This Court has decided many utility-patent cases in recent Terms, but has not reviewed a design-patent case in more than 120 years. Late nineteenth-century cases considered design patents on such products as a spoon handle, *Gorham Co. v. White*, 81 U.S. 511 (1871), a carpet, *Dobson v. Dornan*, 118 U.S. 10 (1886), a saddle, *Smith v. Whitman Saddle Co.*, 148 U.S. 674 (1893), and a rug, *Dunlap v. Schofield*, 152 U.S. 244 (1894). This case, by contrast, involves three design patents covering partial features of smartphones—complex products that contain hundreds of thousands of features that have nothing to do with a phone's design.

With the recent explosion of design patents in complex products like smartphones, the time is ripe for this Court to again take up the issue. A patented design might be the essential feature of a spoon or rug. But the same is not true of smartphones, which contain countless other features that give them remarkable functionality wholly unrelated to their design. By combining a cellphone and a computer, a smartphone is a miniature internet browser, digital camera, video recorder, GPS navigator, music player, game station, word processor, movie player and much more.

The three design patents at issue here cover only specific, limited portions of a smartphone's design: a particular black rectangular round-cornered front face, a substantially similar rectangular round-cornered front face plus the surrounding rim or "bezel," and a particular colorful grid of sixteen icons. Each of these patents contains indisputably unprotected elements within its overall claimed "ornamental" design. Some of those elements are not protected as

"ornamental" because they are conceptual: No one may own rectangles, round corners, the color black or the concept of a grid of icons. And some of those elements are not protected as "ornamental" because they are functional: Rectangular shapes and flat screens allow a user to view documents and media. Round corners make phones easier to slip into a pocket or purse. A bezel prevents the glass screen from shattering if a phone is dropped. Icons on a screen inform a user how to touch the screen to initiate various functions.

But the Federal Circuit nonetheless held that a district court need not instruct a jury to disregard those unprotected elements when assessing the similarities between a patented design and an accused product. The court allowed the jury to find infringement based merely on similarities in "overall appearance" and indeed, based on "any perceived similarities or differences" whatsoever.

Compounding this problem, the Federal Circuit allowed the jury to award Samsung's entire profits from the sale of smartphones found to contain the patented designs—here totaling $399 million. It held that Apple was "entitled to" those entire profits no matter how little the patented design features contributed to the value of Samsung's phones. In other words, even if the patented features contributed 1% of the value of Samsung's phones, Apple gets 100% of Samsung's profits.

The Federal Circuit did not dispute that such a result is ridiculous, but said it was compelled by Section 289 of the Patent Act. That is incorrect. Section 289 nowhere defines the "article of manufacture" to which a patented design is applied as the entire product (here, a smartphone) rather than the

portion of the product depicted in the design patent. And nothing in Section 289 suggests that Congress exempted design patents from the background principles of causation and equity that inform all of patent law, which after all is a species of tort.

Both holdings clearly warrant this Court's review. Each independently conflicts with the Patent Act. Together, they provide a vehicle for design-patent holders to obtain unjustified windfalls far exceeding the conceivable value of any inventive contribution. The decision below is thus an open invitation to litigation abuse, and has already prompted grave concern across a range of U.S. companies about a new flood of extortionate patent litigation, especially in the field of high technology.

Because the Federal Circuit has exclusive nationwide jurisdiction over patent law, only this Court's review can correct that court's misreading of the Patent Act and avert the potentially devastating consequences of the decision below. This Court should grant the petition.

OPINIONS BELOW

The opinion of the U.S. Court of Appeals for the Federal Circuit is reported at 786 F.3d 983 and reproduced at App. 1a-36a. The order of the court of appeals denying rehearing *en banc* is reproduced at App. 154a-155a. The order of the U.S. District Court for the Northern District of California regarding design patent claim construction is unreported but is available at 2012 WL 3071477 and reproduced at App. 37a-55a. The district court's orders denying in part certain post-trial motions are reported at 920 F. Supp. 2d 1079 and 926 F. Supp. 2d 1100 and are reproduced at App. 56a-113a and App. 114a-153a, respectively.

JURISDICTION

The court of appeals denied rehearing *en banc* on August 13, 2015. App. 154a-155a. On October 20, 2015, the Chief Justice extended the time for filing a petition for a writ of certiorari to December 14, 2015. This Court has jurisdiction under 28 U.S.C. 1254(1).

CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

U.S. Constitution art. I, § 8, cl. 8 provides in pertinent part that:

> The Congress shall have Power ... To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.

The relevant provisions of the Patent Act, 35 U.S.C. 1, et seq., are reproduced at App. 156a-158a.

STATEMENT OF THE CASE

A. Statutory Background

This case involves the permissible scope of "design patents" as well as the remedies available for infringement of those patents. This Court is familiar with "utility patents," which are available for "any new and *useful* process, machine, manufacture, or composition of matter, or any new and useful improvement thereof." 35 U.S.C. 101 (emphasis added). By contrast, design patents are available for "any new, original and *ornamental* design for an article of manufacture." 35 U.S.C. 171 (emphasis added). Design patents are historically cheaper and easier to obtain than utility patents—with a higher

allowance rate[1] and no requirement to pay maintenance fees, *see* 37 C.F.R. 1.362(b).

The statute does not define what constitutes a protected "ornamental" design, but it cannot protect "abstract ideas" or "physical phenomena" like basic shapes or concepts, *Bilski v. Kappos*, 561 U.S. 593, 601 (2010), and there is a well-accepted contrast with unprotected "functional" features, *see Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 148 (1989). Although design patents were once available for "useful" product configurations, *see Smith*, 148 U.S. at 677, in 1902 Congress eliminated "the word 'useful' as applied to design patents ... and substitut[ed] the word 'ornamental,'" H.R. Rep. No. 57-1661, at 1 (1902); *see* Act of May 9, 1902, ch. 783, Pub. L. No. 57-109, 32 Stat. 193.

While utility-patent holders may recover only "damages adequate to compensate for the infringement," 35 U.S.C. 284, such as an award of lost profits or a reasonable royalty, design-patent holders may elect those remedies or infringer's profits under 35 U.S.C. 289. That section provides:

> Whoever during the term of a patent for a design, without license of the owner ... applies the patented design ... to any article of manufacture ... shall be liable to the owner to the extent of his total profit, but not less than $250 ....

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[1] *Compare* USPTO, http://www.uspto.gov/corda/dashboards/patents/main.dashxml?CTNAVID=1006 (84% of design-patent applications allowed), *with* USPTO, http://www.uspto.gov/corda/dashboards/patents/main.dashxml?CTNAVID=1005 (67.8% of utility, plant, and reissue patent applications allowed).

> Nothing in this section shall prevent, lessen, or impeach any other remedy which an owner of an infringed patent has under the provisions of this title, but he shall not twice recover the profit made from the infringement.

35 U.S.C. 289.[2] The statute does not define what constitutes "an article of manufacture."

B. The Smartphone Industry

Although "unheard of ten years ago," smartphones are now owned by "a significant majority of American adults." *Riley v. California*, 134 S. Ct. 2473, 2482 (2014). They "are now such a pervasive and insistent part of daily life that the proverbial visitor from Mars might conclude they were an important feature of human anatomy." *Id.*

Samsung has long been an industry leader in the field of mobile phones, which it has made and sold since 1988.[3] Samsung was the first mobile-phone manufacturer, for example, to introduce devices that incorporated 3-D cameras, MP3 music players, and voice recognition.[4] Apple, by contrast, was a latecomer

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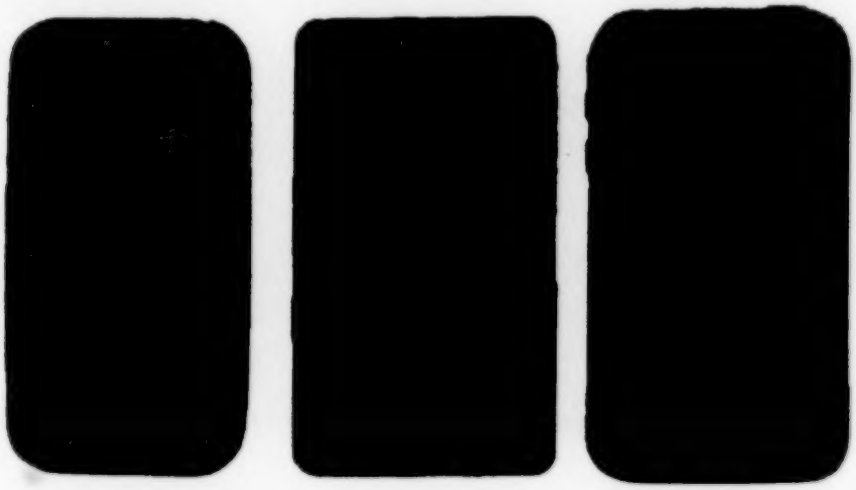
[2] Congress eliminated infringer's profits as a remedy for utility-patent infringement in 1946. *See* Act of Aug. 1, 1946, ch. 726, Pub. L. No. 79-587, 60 Stat. 778.

[3] *See Samsung Handsets Through The Ages: A Photo Tour of Phone Firsts*, ZDNET (May 28, 2015), http://www.zdnet.com/pictures/samsung-handsets-through-the-ages-a-photo-tour-of-phone-firsts/.

[4] *See Vintage Mobiles*, http://www.gsmhistory.com/vintage-mobiles/.

to the mobile-phone industry, announcing the iPhone in January 2007 and launching it in June 2007 [5]

Well before Apple's iPhone entered the market in 2007, companies other than Apple were independently developing rectangular, round-cornered smartphone devices with large, flat, clear touchscreens. For example, Samsung and LG had developed product designs by 2006 that incorporated configurations similar to those in Apple's design patents:



Samsung Q-Bowl LG Prada Apple iPhone[6]

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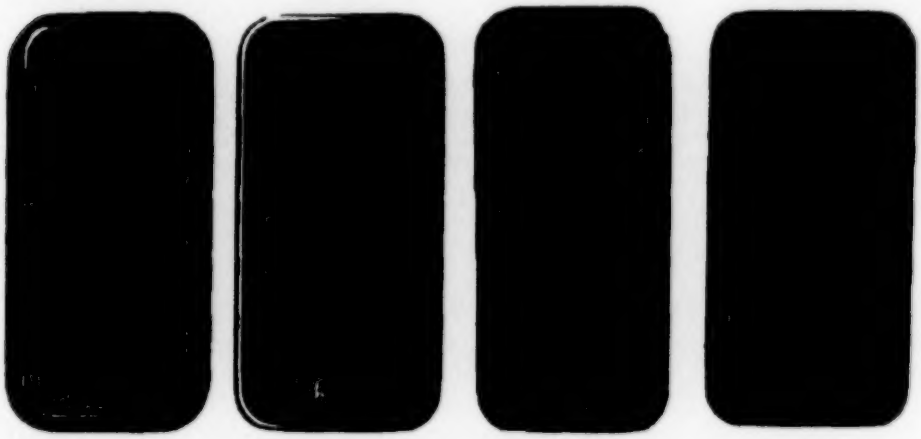
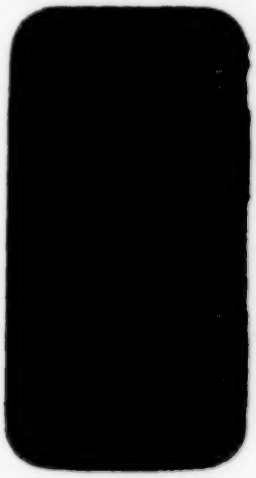
[5] *E.g.*, Mike Musgrove, *Apple Seeks To Muscle Into Telecom With iPod Phone*, WASHINGTON POST, Jan. 10, 2007, at D1, *available at* http://www.washingtonpost.com/wp-dyn/content/article/2007/01/09/AR2007010900698.html.

[6] A7408-09, A7415, A7465-73 (Samsung Q-Bowl); A24675, A29563-71, Chris Ziegler, *The LG KE850: touchable chocolate*, ENGADGET (Dec. 15, 2006), http://www.engadget.com/2006/12/15/the-lg-ke850-touchable-chocolate/ (LG Prada); *Apple iPhone*, http://www.gsmarena.com/apple_iphone-1827.php (Apple iPhone). (Citations in the form A___ refer to the joint appendix before the Federal Circuit, *Apple Inc. v. Samsung Electronics Co.*, No. 14-1335 (Fed. Cir.).)

Samsung also developed additional prototypes and mock-ups in 2006, including those below, all before the iPhone was announced:



A7401-13. The Samsung F700, which was announced in early 2007 and went to market later that year, retained the same essential design concept:



See A27594.[7]

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[7] *See also Samsung F700*, http://www.gsmarena.com/samsung_f700-1849.php.

The use of such rounded rectangular shapes as the basic design for the iPhone and other contemporary smartphones is unsurprising. As Apple's CEO Steve Jobs told Apple engineers when earlier convincing them to use such shapes, one need only look around at ordinary objects like no-parking signs to see that "'[r]ectangles with rounded corners are everywhere!'"[8]

The worldwide smartphone market grew tenfold between 2007 and 2014, with sales rising from 122 million devices to 1.24 billion devices. That explosion in popularity results from smartphones' functionality. Apple's own advertising touts the functional features of its phones.[9] And after Samsung adopted Google's Android operating system for its flagship products in 2010, its share of the smartphone market rose considerably.[10]

As of 2012, the Patent and Trademark Office ("PTO") had issued more than 250,000 smartphone-related patents, constituting 16% of all active U.S.

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[8] WALTER ISAACSON, STEVE JOBS 130 (2011). According to his biographer, Jobs continued, "'Just look around this room! ... And look outside, there's even more [rectangles with rounded corners], practically everywhere you look! Within three blocks, we found seventeen examples .... I started pointing them out everywhere [*e.g.*, a No Parking sign] until he was completely convinced.'" *Id.*

[9] *See, e.g.*, *Apple iPhone 4 Official Introduction*, https://www.youtube.com/watch?v=KEaLJpFxR9Q (emphasizing videoconferencing, camera, video recording, processing chip and battery features).

[10] *See, e.g.*, Alex Cocotas, *Samsung Maintains Lead In The Smartphone Market, Despite iPhone 5*, BUSINESS INSIDER (Feb. 9, 2013), http://www.businessinsider.com.au/samsung-is-the-smart phone-king-2013-2; Kent German, *A Brief History of Android Phones*, CNET (Aug. 2, 2011), http://www.cnet.com/news/a-brief-history-of-android-phones/.

patents.[11] Any individual smartphone may incorporate the vast majority of those 250,000 patented technologies.[12] About six percent of all smartphone-related patents are design patents.[13]

C. Apple's Asserted Design Patents And Trade Dresses

This petition arises from a decision affirming a judgment awarding Apple $399 million for supposed infringement of three of Apple's design patents. A design patent uses pictures rather than verbal descriptions to claim its invention. While some design patents depict entire products or decorative patterns that can be applied to entire products, other design patents (as here) cover only a portion or small component of a product. The Federal Circuit's predecessor confirmed the PTO's authority to allow such partial claiming. *See In re Zahn*, 617 F.2d 261, 267 (C.C.P.A. 1980). Partial design patents use

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[11] *See* Daniel O'Connor, *One In Six Active U.S. Patents Pertain To The Smartphone*, PROJECT DISCO (Oct. 17, 2012), http://www.project-disco.org/intellectual-property/one-in-six-active-u-s-patents-pertain-to-the-smartphone/.

[12] David Drummond, *When Patents Attack Android* (Aug. 3, 2011), https://googleblog.blogspot.com/2011/08/when-patents-attack-android.html; Michael Risch, *Software Patents and the Smartphone*, PRAWFSBLAWG (Nov. 15, 2012), http://prawfsblawg.blogs.com/prawfsblawg/2012/11/software-patents-and-the-smartphone.html (noting the "oft repeated statistic: that there are 250,000 patents that might be infringed by any given smartphone").

[13] *See* Joel Reidenberg et al., *Patents and Small Participants in the Smartphone Industry*, 18 STAN. TECH. L. REV. 375, 394 (2015).

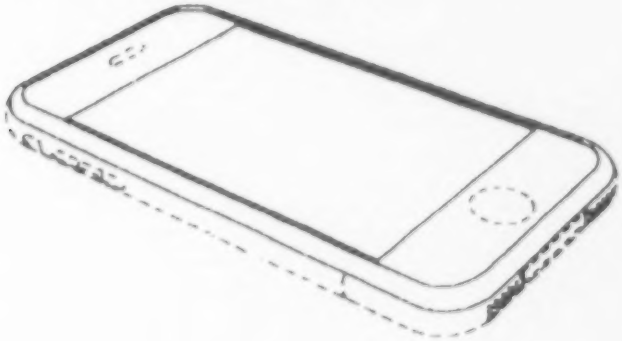
broken lines in their drawings to exclude features that are not part of the "claimed design."[14]

All three design patents at issue here claim "[t]he ornamental design ... as shown and described" in such pictures, and all three claim only partial features of a smartphone's design. Using solid lines for the claimed subject matter and broken lines for disclaimed features, Apple's D618,677 ("D'677") patent shows a black rectangular front face with rounded corners, as follows:

[14] As the PTO states in its Manual of Patent Examining Procedure ("MPEP"), "[t]he two most common uses of broken lines are to disclose the environment related to the claimed design and to define the bounds of the claim. Structure that is not part of the claimed design, but is considered necessary to show the environment in which the design is associated, may be represented in the drawing by broken lines. This includes any portion of an article in which the design is embodied or applied to that is not considered part of the claimed design." MPEP § 1503.02, *available at* http://www.uspto.gov/web/offices/pac/mpep/s1503.html.

A1310-14.

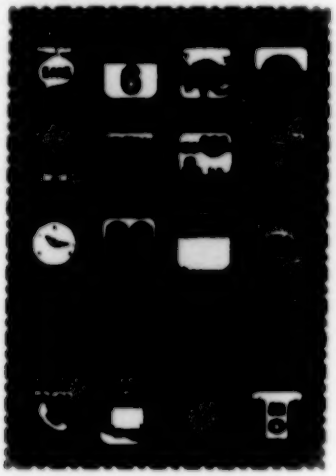
Apple's D593,087 ("D'087") patent is substantially similar to the D'677 as it depicts a rectangular front face with rounded corners, but with the addition of a "bezel," or surrounding rim, as follows:



A1294-308.

Apple's D604,305 ("D'305") patent relates not to the physical front face of the device, but instead to a

particular grid of sixteen colorful icons on a black screen, shown as follows:



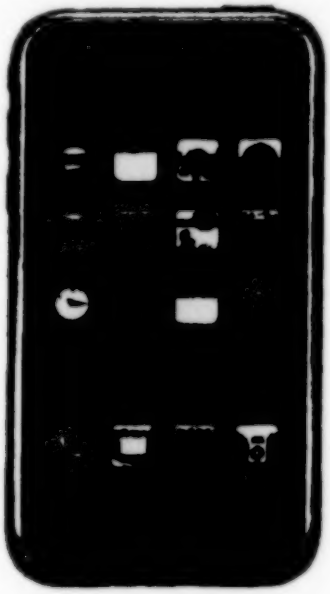
A20061-67

Apple also asserted trade dresses materially identical to the designs it claimed in the D'677, D'087 and D'305 patents. It asserted unregistered trade-dress rights in:

> [a] rectangular product with four evenly rounded corners; [a] flat clear surface covering the front of the product; [t]he appearance of a metalic bezel around the clear flat surface; [a] display screen under the clear surface; ... substantial black borders above and below the screen and narrower black borders on either side of the screen; ... a matrix of colorful square icons with evenly rounded corners ... [and] a bottom dock of colorful square icons ... set off from the other icons on the display ....

A7361. And Apple asserted a registered trade dress (No. 3,470,983) that included a grid of sixteen icons

nearly identical to the one depicted in the D'305 patent, as follows:



A20036-38.

D. The District Court Proceedings

Apple filed this action in the U.S. District Court for the Northern District of California in 2011, alleging, among other things, that various Samsung smartphones infringed the D'677, D'087 and D'305 patents and diluted the unregistered and registered trade dresses.

1. As to design-patent liability, the district court ruled that it need not distinguish Apple's protected ornamental design from the unprotected conceptual and functional aspects of the patent figures. At the outset of trial, the court rejected Samsung's request that the court construe the patent claims so as to limit them to their protected, ornamental scope. App. 38a. The court instead stated that it would defer any such determination until the close of evidence. *Id.*

At trial, the evidence showed that Apple's design patents and trade dresses contain unprotected conceptual and functional features. Samsung's unrebutted evidence showed that rounded corners improve a phone's "pocketability" and "durability" (A40869-70; A42612-16), that a non-rectangular display element would be difficult and "expensive" to manufacture and "completely rare" (A42611-12; A40874-75), that the rectangular shape of the device maximizes the size of the rectangular display it can hold (A42612), that a clear flat front surface facilitates finger-touch operation over the entire display (A42616-17), and that the borders surrounding the display efficiently accommodate and hide underlying components (A40681; A40871-72).

Moreover, Apple's witnesses admitted that "having a clear cover over the display element" was "absolutely functional" (A41202-03), that "you need a speaker at the top to hear" (A40681), that the bezel keeps the glass from hitting the ground if the phone is dropped (A40495-96), that "rounded corners certainly help you move things in and out of your pocket" (A40682), and that Apple may not own "a colorful matrix of icons" or "icons arranged in rows and columns in a grid" (A41479-80), which inform the user that the phone will perform particular functions when specific icons are selected (A41459).

At the close of evidence, however, the district court again declined to draw any distinction between the patents' protected and unprotected features. The court merely instructed the jury (over Samsung's objection) that each patent "claims the ornamental design of an electronic device [or graphical user interface] as shown." App. 160a-161a. The court did not define "ornamental" or instruct the jury that the

conceptual and functional elements shown in the drawings are not protected.

The district court further instructed the jury (again, over Samsung's objection) that it should find infringement if "the overall appearance of an accused Samsung design is substantially the same as the overall appearance of the claimed Apple design patent." App. 162a. The court did not tell the jury to look at similarities only in the *ornamental* aspects of the phones' appearance, nor did it equip the jury to understand what the claimed ornamental aspects were. To the contrary, the district court instructed the jury that it "should consider *any* perceived similarities or differences between the patented and accused designs." *Id.* (emphasis added).

The district court thus left the jury free to decide for itself the scope of the claimed "ornamental" design. Under the court's instructions, the jury could look at Apple's patented designs, look at Samsung's phones, see that both have rectangular shapes, rounded corners, flat screens and colorful icon grids, and decide, *voila!*, that there must be design-patent infringement—even though those shared features are conceptual and functional, not ornamental.

2. As to design-patent damages, the district court awarded infringer's profits in the amount of Samsung's entire profits on sales of its accused phones. The court never required Apple to prove that its patented design features contributed materially (or at all) to those sales.

To the contrary, the district court instructed (over Samsung's objection) that, if the jury found infringement and declined to impose Apple's lost profits or a reasonable royalty as the measure of damages, "Apple

is entitled to all profit earned by [Samsung] on sales of articles that infringe Apple's design patents." App 165a. And it defined that profit as Samsung's "entire profit on the sale of the article to which the patented design is applied and not just the portion of profit attributable to the design or ornamental aspects covered by the design." *Id.*

3. The jury found infringement of all three design patents and dilution of Apple's trade dresses, and awarded damages. After a partial retrial resulting from Samsung's post-trial motions, the district court entered final judgment awarding $399 million attributable to design-patent infringement and $382 million attributable to trade-dress dilution.[15]

E. The Federal Circuit Decision

The Federal Circuit reversed as to trade-dress dilution but affirmed as to design-patent infringement. The court upheld the district court's refusal to limit the design patents to their protected ornamental scope and upheld the award to Apple of all of Samsung's profits from its accused smartphones.

1. Applying Ninth Circuit law, the Federal Circuit reversed the $382 million judgment for trade-dress dilution. App. 6a-18a. The court held the asserted trade dresses—which are materially the same as the patented designs at issue—invalid as "functional." *Id.*

The court relied on the "extensive evidence in the record that showed the usability function of every single element in the unregistered trade dress," App. 11a, and the "undisputed usability function of the

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[15] The remaining $149 million in damages attributable to utility-patent infringement is not at issue in this petition.

individual elements" of the registered trade dress, App. 17a. As to Apple's unregistered trade dress, the court drew several examples from the record as described above: the "rounded corners improve 'pocketability' and 'durability,'" the "rectangular shape maximizes the display that can be accommodated," and the "flat clear surface on the front of the phone facilitates touch operation." App. 11a-12a. As to Apple's registered trade dress, the court noted that Apple's "icon designs promote usability" by "'communicat[ing] to the consumer ... that if they hit that icon, certain functionality will occur on the phone.'" App. 16a (quoting Apple's expert witness).

2. Despite the virtual identity between the invalid "functional" Apple trade dresses and the three design patents, the Federal Circuit (this time applying its own precedent) affirmed the $399 million design-patent judgment. The court held that, even where a design patent includes unprotected conceptual and functional elements, the district court need not "eliminate entire elements from the claim scope." App. 22a; *see id.* (reiterating that the district court need not "eliminate elements from the claim scope of a valid patent in analyzing infringement"). And the court found no error in the district court's direction to the jury to consider "overall appearance" and "any perceived similarities or differences," App. 162a, rather than only *ornamental* appearance and *ornamental* similarities and differences. App. 22a-23a.

To the contrary, the Federal Circuit concluded that the district court had done all it needed to do by instructing the jury that the design patents each "claim[ed] 'the ornamental design' as shown in the patent figures." App. 23a. The court failed to explain

how that instruction could assist the jury when it merely recited what was already on the face of the patents. And it failed to explain how such a reference to "'the ornamental design' as shown" could be helpful to the jury when the district court nowhere defined the term "ornamental," nowhere identified the ornamental aspects of Apple's patented designs, and nowhere told the jury that Apple's design patents contained unprotected elements that should not be considered when determining infringement.

3. The Federal Circuit also upheld the district court's award of Samsung's entire profits from the sale of its smartphones found to infringe the design patents. App. 27a-29a. According to the Federal Circuit, "total profit" in Section 289 constitutes all of an infringer's profits from an entire product, no matter how little that profit is attributable to the infringement. App. 28a-29a. The court held that "the clear statutory language prevents us from adopting a 'causation' rule," App. 28a, because the phrase "article of manufacture" in Section 289 means an entire item "sold separately ... to ordinary purchasers," not the portion of the product that contains the infringing design, App. 29a.

The court did not deny that "an award of a defendant's entire profits for design patent infringement makes no sense in the modern world." App. 28a n.1. Nor did the court attempt to reconcile its interpretation with the statutory requirement that the patentee "shall not twice recover the profit *made from the infringement*." 35 U.S.C. 289 (emphasis added).

4. The Federal Circuit denied rehearing *en banc*. App. 154a-155a. This petition followed.

REASONS FOR GRANTING THE WRIT

The Federal Circuit's decision conflicts with the Patent Act and greatly overprotects and overcompensates design patents. It overprotects them by holding that they need not be limited to their protected ornamental scope. It overcompensates them by allowing their holders to obtain massive windfalls far exceeding the inventive value of their patents.

Each of these holdings alone would warrant this Court's review. And together, they plainly do. The Federal Circuit's decision is an open invitation to litigation abuse and the escalating and extortionate assertion of design patents, including by entities that do not practice their patents (also known as "trolls"). The decision has accordingly already reverberated throughout the multi-billion dollar high-tech industry.

Nothing in the Patent Act compels or authorizes such harmful results. Congress could not have intended the scope of design patents, alone among all forms of intellectual property, to be unrestricted to protectable subject matter or defined by unguided jury discretion rather than rigorous construction by courts. And Congress could not have intended design-patent damages, alone among all forms of intellectual-property remedies, to be exempt from ordinary principles of causation and proportionality.

This Court should grant review to correct the Federal Circuit's erroneous interpretation of the Patent Act, and to prevent the vast overprotection and overcompensation of design patents that would follow from the decision below if left intact.

I. THIS COURT SHOULD REVIEW THE FEDERAL CIRCUIT'S HOLDING THAT A DISTRICT COURT NEED NOT LIMIT A DESIGN PATENT TO ITS PROTECTED ORNAMENTAL SCOPE

It is undisputed, based on the clear words of the Patent Act, that Apple's design patents can cover only "ornamental" designs. And it is indisputable, based on the evidence and the Federal Circuit's own holding on the trade-dress claims, that Apple's design patents cover non-ornamental conceptual and functional features. But no one—not the jury, not the district court, and not the Federal Circuit—made any effort to ensure that infringement was limited to the protected ornamental features. The result is that Apple's patents have been effectively enlarged to include conceptual and functional features that are beyond legitimate design-patent protection.

A. The Decision Below Conflicts With Section 171 Of The Patent Act

Design-patent protection is limited to "any new, original and *ornamental* design for an article of manufacture." 35 U.S.C. 171 (emphasis added). By Section 171's own terms, the protectable scope of design patents does not encompass *non*-ornamental features. "Ornamental" is not defined in the statute and is not a self-defining term. But it cannot include concepts, shapes or colors, for no patent can. *Bilski*, 561 U.S. at 603. And it cannot include "functional" features, for those are the proper domain of utility-patent law. *See Bonito Boats*, 489 U.S. at 148; *Gorham*, 81 U.S. at 524 ("The acts of Congress which authorize the grant of patents for designs were plainly intended to give encouragement to the decorative arts.

They contemplate not so much utility as appearance ....").

Here, however, the jury was never told as much. Apple's design patents indisputably contain a host of unprotected features, as is plain from the Federal Circuit's ruling invalidating Apple's trade dresses claiming almost precisely the same features. But the district court never construed the patents to exclude those unprotected features. It never even told the jury that valid design patents *could* have unprotected features, much less explained how to identify them and exclude them from the infringement analysis. It instead told the jury to consider "any perceived similarities or differences" between the patented features and the accused products, App. 162a, including even similarities in "shape or configuration," App. 164a.

In affirming, the Federal Circuit held as a matter of law that courts need never define "ornamental," identify the ornamental aspects of a patented design, or distinguish those protected ornamental aspects from unprotected elements. On the Federal Circuit's view, courts may simply inform the jury—with no explanation or guidance—that a design patent claims "'the ornamental design' as shown in the patent figures." App. 22a.

The Federal Circuit held that Apple "provided sufficient testimonies to allow the jury to account for any functional aspects in the asserted design patents." App. 25a. But the jury was not even told that the patents *could* have functional or other unprotected aspects, much less that it should account for them. The jury thus had no way of knowing that conceptual or functional attributes like rounded corners and rectangular form should be disregarded in deciding

whether Samsung's phones infringed Apple's patented designs.[16]

The Federal Circuit's refusal to cabin design patents to their protected ornamental scope conflicts with Section 171. Under the Federal Circuit's ruling, infringement may be found based on the use of non-ornamental attributes, like the rounded rectangular form, that the design-patent holder does not own. It blinks reality to suppose that the jury in this case—or the juries in the many design-patent infringement suits that will follow—have any way, left to their own devices, to faithfully implement the Patent Act's essential limitation of the patentable subject matter to "ornamental" designs. 35 U.S.C. 171.

The Federal Circuit's ruling also creates tension with other areas of intellectual property law that routinely enforce limitations to protectable scope. For example, copyright law, through "filtration" and other devices that "serve[] 'the purpose of defining the scope of plaintiff's copyright,'" requires that unprotectable ideas be identified and factored out before infringement is considered. *Computer Assocs. Int'l v. Altai, Inc.*, 982 F.2d 693, 707-08 (2d Cir. 1992) (quoting *Brown Bag Software v. Symantec Corp.*, 960 F.2d 1465, 1475-76 (9th Cir. 1992)); *see also Apple Computer, Inc. v. Microsoft Corp.*, 35 F.3d 1435, 1443 (9th Cir. 1994) (denying copyright protection for "the

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[16] In fact, Apple's expert witnesses repeatedly cited unprotected functional elements as a basis for their infringement opinions. The experts opined, for example, that Samsung's products conveyed an overall impression similar to the patented designs because both those products and the patents included a "regular grid" and a "colorful mix of icons" (A41379) and a "rectangular display area" under a "transparent" surface and a speaker slot "in the upper border area" (A41017-18; *see* A41053).

idea of a graphical user interface, or the idea of a desktop metaphor").

Trademark law likewise deems a claimed trade dress unprotectable as functional "when it is essential to the use or purpose of the device or when it affects the cost or quality of the device." *TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 34 (2001); *see Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 850 n.10 (1982) (similar). Indeed, in this very case the Federal Circuit had no trouble invalidating Apple's trade dresses based on such functional attributes. But under the Federal Circuit's own far more stringent test for functionality in the design-patent context—that a design must be "dictated by function," *see, e.g.*, *High Point Design LLC v. Buyers Direct, Inc.*, 730 F.3d 1301, 1315-16 (Fed Cir. 2013)—almost no design patent will ever be invalidated. And functional elements will almost never be factored out of a jury's infringement analysis. *See* App. 60a (district court ruling that it need not "instruct the jury to factor out functional design elements" because "Samsung had not shown that the allegedly functional design elements were actually functional under the Federal Circuit's 'dictated by function' standard"). These tensions with copyright and trademark law reinforce the need for this Court's intervention.

B. The Decision Below Conflicts With This Court's Precedents Requiring Judicial Construction Of Patent Claims

The Federal Circuit's decision also warrants review because it conflicts with this Court's precedents in the closely analogous context of utility patents, which recognize that district courts have a duty to construe patent claims and eliminate unprotected features. *See*

Markman v. Westview Instruments, Inc., 517 U.S. 370, 390 (1996). That duty rests with courts (not juries) even when claim construction involves factual disputes. *See Teva Pharms. USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831, 835 (2015).

That duty likewise extends to design patents. Utility-patent construction is allocated to courts rather than juries to promote "uniformity" and avoid "uncertainty." *Markman*, 517 U.S. at 390. Those goals pertain equally to design patents. But while the Federal Circuit acknowledges that *Markman* applies to design patents, it allows district courts (as here) to decline to provide any meaningful claim construction, based on an apparent concern that courts may not be able to convert design-patent pictures into words. *See Egyptian Goddess, Inc. v. Swisa, Inc.*, 543 F.3d 665, 679-80 (Fed. Cir. 2008) (en banc).

Any such concern is misplaced. A district court can easily, for example, instruct a jury on what "ornamental" means and what it excludes, identify to a jury a design patent's conceptual, functional and ornamental aspects, and instruct a jury not to find infringement based on conceptual or functional similarities. The Federal Circuit here, for example, had no trouble describing in words the unprotected functional aspects of Apple's trade dresses, including those illustrated by pictures.

For all of these reasons, this Court should review the design-patent liability judgment.

II. THIS COURT SHOULD REVIEW THE FEDERAL CIRCUIT'S HOLDING THAT DESIGN-PATENT OWNERS ARE ENTITLED TO ALL PROFITS FROM A PRODUCT THAT CONTAINS AN INFRINGING DESIGN

This Court's review is also necessary to correct the Federal Circuit's holding as a matter of law that an infringer of a design patent is liable for all of the profits it made from its entire product, no matter how little the design contributed to the product's value or sales. The significance of this holding is hard to overstate: if a patented design is only 1% responsible for the product's sale, the patent's owner still gets 100% of the profits. Under that rule, a jury that awards infringer's profits must award the entire profits on a car (or even an eighteen-wheel tractor-trailer) that contains an infringing cup-holder, and must award the entire profits on every pair of shoes that contains an infringing heel, sole or lace.

The Federal Circuit did not dispute that such results are absurd, but stated its belief that statutory text compels them. That belief is incorrect. Nothing in the text of Section 289 supports the Federal Circuit's breathtaking construction, or suggests that Congress intended such a radical departure from traditional principles of causation and equity. Just as this Court reviewed the question whether any infringement however small should yield an injunction, *eBay, Inc. v. MercExchange, LLC*, 547 U.S. 388 (2006), it should grant review here to decide whether any infringement however small should yield an award of an infringer's entire profits.

A. The Decision Below Conflicts With Section 289 Of The Patent Act And Prior Decisions

Section 289 provides that an infringer who "applies the patented design ... to any *article of manufacture* ... shall be liable to the extent of his total profit ... but [the owner] shall not twice recover the profit *made from the infringement*." 35 U.S.C. 289 (emphases added). The Federal Circuit's construction disregards the natural reading of the phrases "article of manufacture" and "made from the infringement."

1. The Federal Circuit first erred in deeming the relevant "article of manufacture" to be the entire product "sold separately ... to ordinary consumers." App. 29a. That definition of "article of manufacture" was pure *ipse dixit*. The court provided no basis for its interpretation, much less the strong justification needed where an interpretation of a statute produces absurd results.

The far more natural reading is that Section 289 authorizes recovery of total profits on the *portion* of a product to which the patented design is applied—here, the front face of the smartphone, the face plus bezel, and a single screen of a graphical user interface. The Patent Act does not define the term "article of manufacture." But the first edition of Black's Law Dictionary, published only four years after Congress enacted the relevant statutory text in 1887, defines an "article" as "one of several things presented as connected or forming a whole." BLACK'S LAW DICTIONARY 92 (1st ed. 1891). And it defines "manufacture" as "[a]ny useful product made directly by human labor, or by the aid of machinery directed and controlled by human power ...." *Id.* at 751. Thus, an "article of manufacture" may be a part of a whole and

may be connected with other "articles of manufacture" to form an entire product as sold.

The same phrase also appears in Section 171's specification of patentable subject matter: "any new, original and ornamental design for an *article of manufacture*." 35 U.S.C. 171 (emphasis added). As Apple's own D'677, D'087 and D'305 patents illustrate, Section 171 authorizes the issuance of design patents claiming less than an entire product and imposes no "separate sale" requirement. As the Federal Circuit's immediate predecessor explained, "the statute is not limited to designs for complete articles, or 'discrete' articles, and certainly not to articles separately sold ...." *Zahn*, 617 F.2d at 268. The Federal Circuit's reading of "article of manufacture" to mean an "entire product" as "separately sold" conflicts with its predecessor's interpretation of Section 171—and with the PTO's routine practice, confirmed in *Zahn*, of allowing such partial claiming without regard to how the patented design will be applied or marketed.

The Federal Circuit's interpretation of "article of manufacture" also conflicts with decisions of other courts of appeals closer in time to the statute's enactment in 1887. In the *Piano Cases*, for example, the Second Circuit allowed an award of infringer's profits from the patented design of a *piano case* but *not* from the sale of the *entire piano*, holding that "recovery should be confined to the subject of the patent." *Bush & Lane Piano Co. v. Becker Bros.*, 222 F. 902, 904 (2d Cir. 1915). The Second Circuit explained that, "[w]hen the patent owner is awarded the profits due to his design he receives all he is entitled to." *Id.* at 905. As the court explained by analogy, "[a] patent for a 'book binding' cannot ... be so identified with the entire book as to give all the profits

on a work of literary genius to the patentee of a binding, although the binding was manufactured with and for that one book, and has no separate commercial existence." *Bush & Lane Piano Co. v. Becker Bros. (Piano II)*, 234 F. 79, 81-82 (2d Cir. 1916); *see id.* at 82 (noting that the binding and the book "are different *articles*") (emphasis added).

The Federal Circuit purported to distinguish the *Piano Cases* on the ground that "ordinary purchasers regarded a piano and a piano case as distinct articles of manufacture." App. 29a. But the Second Circuit expressly rejected that very distinction, holding that it was "unsupported by the evidence" and that, in any event, the existence of a "separate market ... makes no difference in the rule of law." *Piano II*, 234 F. at 83.

Similarly, in *Young v. Grand Rapids Refrigerator Co.*, 268 F 966 (6th Cir. 1920), the Sixth Circuit affirmed the denial of all profits from the sale of refrigerators where the infringed patent related only to the design of the refrigerator's door latch. The court explained that it was not even "seriously contended" that the patentee could recover all profits from sales of refrigerators containing that latch. *Id.* at 974.

Apple's D'677 and D'087 patents reflect a rectangular front face of an electronic device with rounded corners and accompanying bezel, not an entire smartphone. Apple's D'305 patent reflects the layout of icons on a single screen of a smartphone user interface, not the entire phone. The relevant "articles of manufacture" are thus the front face, the front face with bezel, and the screen with its layout of icons. It is *not* the entire phone, which incorporates thousands of other design- and utility-patent features. Contrary to the Federal Circuit's holding, Apple is therefore at

most entitled only to profits attributable to those three components of Samsung's phones.

2. Even if an entire smartphone could be regarded as the relevant "article of manufacture," that phrase must be read together with the next paragraph of Section 289, which provides that a patentee "shall not twice recover the profit made from the infringement." 35 U.S.C. 289. The Federal Circuit erred in disregarding the latter phrase, which plainly specifies a causation requirement. When Section 289 is read as a whole, the "total profit" recoverable under its first paragraph is most naturally limited to the "profit made from the infringement" as set forth in the second paragraph.

An additional textual clue supporting this reading is found in Section 284 of the Patent Act. That provision allows "damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer." 35 U.S.C. 284. It is well established that Section 284 limits damages to the harm *caused by* the infringement. *See Rite-Hite Corp. v. Kelley Co.*, 56 F.3d 1538, 1545 (Fed. Cir. 1995) (en banc) (lost profits); *ResQNet.com, Inc. v. Lansa, Inc.*, 594 F.3d 860, 869 (Fed. Cir. 2010) (per curiam) (reasonable royalty). Thus, for example, if a patented feature contributes only minimally to profits on a product, the patentee can obtain a *lost-profits* award amounting to only a small fraction of those profits. But under the Federal Circuit's approach, the same patentee can obtain 100% of *infringer's profits* despite the patent's same minimal contribution. There is no basis for giving such similar language from related sections of the Patent Act such disparate meanings. *See, e.g.*, *Gustafson v. Alloyd Co.*, 513 U.S. 561, 570 (1995)

(applying "normal rule of statutory construction" that "identical words used in different parts of the same act are intended to have the same meaning") (quoting *Dep't of Revenue v. ACF Indus., Inc.*, 510 U.S. 332, 342 (1994)).

Sheldon v. Metro-Goldwyn Pictures Corp., 309 U.S. 390 (1940), interpreting similar language in the copyright context, highlights the Federal Circuit's error in disregarding the phrase "made from the infringement." *Sheldon* interpreted the damages provision of the Copyright Act of 1909, which provides for an award of "all" infringer's profits but also includes the phrase "made from such infringement." *Id.* at 399 (quoting 17 U.S.C. 25(b) (1940)). This Court held that, in light of the latter phrase, "all" profit means not the entirety of the defendant's profits, but rather profits "attributable to the infringement." *Id.* The Court noted that this reading is consistent with the statute's purpose, which is "to provide just compensation for the wrong, not to impose a penalty." *Id.*

As noted, the Federal Circuit's contrary interpretation of Section 289 produces absurd and anomalous results. The Federal Circuit's holding would require awarding Apple all of Samsung's profits for sales of a smartphone containing any Apple design patent, even a trivial one.[17] And under this holding, profits on an

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[17] For instance, Apple holds a design patent claiming a single icon depicting a musical note:

U.S. Patent No. D668,263 (filed Oct. 8, 2010), *available at* http://pdfpiw.uspto.gov/.piw?Docid=D0668263.

entire car—or even an eighteen-wheel tractor trailer—must be awarded based on an undetachable infringing cup-holder. *Cf. Apple Inc. v. Samsung Elecs. Co.*, 735 F.3d 1352, 1368 (Fed. Cir. 2013).

The anomalies do not stop there. The Federal Circuit's reading of the statute would appear to allow multiple recoveries of a manufacturer's profits from different patentees—for example, from a boat manufacturer whose boat infringed separately owned windshield, rooftop and seat designs,[18] or a shoemaker that infringed separately owned design patents for the sole, heel and lace.[19] Even if the first such award were deemed to have exhausted all profits, and the second and third patent holders in the race to the courthouse could obtain only a reasonable royalty, the infringer would still have to pay more than its full profits. Congress could not have intended such absurd results.

B. The Decision Below Conflicts With Background Principles Of Causation And Equity

1. The Federal Circuit's interpretation of Section 289 also flies in the face of well-settled tort principles of causation that served as the backdrop against which Congress adopted the Patent Act. *Cf. Meyer v. Holley*,

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[18] *Cf. Pac. Coast Marine Windshields Ltd. v. Malibu Boats, LLC*, 2014 WL 4185297, *11 (M.D. Fla. Aug. 22, 2014) (ruling that under Section 289 plaintiff was "entitled to [defendant's] profits from the sale of its boats with the [infringing] windshield") (citing App. 133a).

[19] *Cf. Skechers U.S.A., Inc. v. DB Shoe Co.*, No. 14-cv-07009 (C.D. Cal.), D.E. 1, at 21 (requesting, in suit alleging infringement of designs for shoe uppers and outsoles, "Defendant's total profit from Defendant's sales of footwear that infringes the" patented designs).

537 U.S. 280, 285 (2003). "The cardinal principle of damages in Anglo-American law is that of compensation for the injury *caused to* plaintiff by defendant's breach of duty." *Carey v. Piphus*, 435 U.S. 247, 254-55 (1978) (emphasis added). This Court has recognized and applied that principle in numerous prior cases—even without the textual support present here—including in such varied areas as securities law, *Dura Pharm., Inc. v. Broudo*, 544 U.S. 336, 343-45 (2005); employment law, *Univ. of Tex. Sw. Med. Ctr. v. Nassar*, 133 S. Ct. 2517, 2525 (2013); RICO, *Holmes v. Sec. Investor Prot. Corp.*, 503 U.S. 258, 267-68 (1992); and the Violence Against Women Act, *Paroline v. United States*, 134 S. Ct. 1710, 1720 (2014).

2. Similarly, the Federal Circuit's decision ignores that disgorgement of the defendant's profits is a classic equitable remedy for which the accepted measure of recovery generally is "the net profit *attributable to* the underlying wrong." RESTATEMENT (THIRD) OF RESTITUTION & UNJUST ENRICHMENT § 51(4) (2011) (emphasis added). Where disgorgement is available in patent cases, it has thus been "given in accordance with the principles governing equity jurisdiction, not to inflict punishment but to prevent an unjust enrichment by allowing injured complainants to claim 'that which ... is theirs, and *nothing beyond this*.'" *Sheldon*, 309 U.S. at 399 (quoting *Livingston v. Woolworth*, 56 U.S. 546, 560 (1853)) (emphasis added); *see also Tilghman v. Proctor*, 125 U.S. 136, 146 (1888) (stating that, if infringer obtained "no ... advantage in his use of the plaintiff's invention, there can be no decree for profits").

Any "major departure from the long tradition of equity practice should not be lightly implied" under the Patent Act. *eBay*, 547 U.S. at 392. There is no

reason to suppose that Congress intended to abandon traditional notions of causation and equity in Section 289.

3. The Federal Circuit understood Congress to have rejected a "causation rule" in enacting the Patent Act of 1887. App 27a. But that ruling conflicts with Section 289's history and purpose.

Congress adopted the relevant statutory text in 1887 in response to this Court's decisions in *Dobson v. Dornan*, 118 U.S. 10 (1886), and *Dobson v. Hartford Carpet Co.*, 114 U.S. 439 (1885). Those decisions limited a plaintiff to "only nominal damages" for infringement of a patented carpet design absent proof of the portion of the defendant's profits "attributable to the value of the design as distinct from the value of the carpet itself." *Trans-World Mfg. Corp. v. Al Nyman & Sons Inc.*, 750 F.2d 1552, 1567 (Fed. Cir. 1984).

But this history furnishes no basis to conclude, as the Federal Circuit did, that Congress intended to expand the measure of infringer's profits to total profits on the entire product sold to consumers where a patented design covers only a small component of the product. To the contrary, Congress was concerned that the *Dobson* decisions precluded "effectual money recovery for infringement" where a patented design was applied to the entirety of *a single, undifferentiated* article of manufacture, as in the case of "beautiful carpets, wall-papers and oil-clothes." H.R. Rep. No. 49-1966, at 1, 3 (1886). In such unitary articles, because "designs are the principal feature," 18 Cong. Rec. 835 (1887) (statement of Rep. Martin), Congress presumed that "it is the design that sells the article," H.R. Rep. No. 49-1966, at 3.

But no similar presumption is appropriate in cases involving products more complex than "carpeting, oil-clothes, wall paper, and things of that sort." 18 Cong. Rec. 835. As to products like today's smartphones, there is no reason to suppose from the legislative history that Congress intended to eliminate all background principles of causation and equity or insist that the "article of manufacture" is the entire product as sold rather than the portion of the product to which the patented design is applied. For its part, the Federal Circuit pointed to no evidence that Congress intended to create the wildly anomalous result of its decision. But such a radical change in the law surely would have been noted. *See Church of Scientology of Cal. v. IRS*, 484 U.S. 9, 17-18 (1987).

This Court's review is necessary to correct the Federal Circuit's misreading of Section 289.

III. THE DECISION BELOW PRESENTS ISSUES OF RECURRING AND NATIONWIDE IMPORTANCE

In requiring Samsung to disgorge all its profits from its smartphones based on their use of a rounded rectangular form and grids of colorful icons, the Federal Circuit's decision creates a sea change in the law of design patents that dramatically increases their value relative to other forms of intellectual property. Absent this Court's intervention, design patents will have whatever scope juries choose to give them, and a design-patent holder will be entitled to the infringer's profits on the entire product even if the patented design applies only to a part of the product and the design has only minor value relative to the product as a whole. Such unjustified windfalls are available nowhere else in patent, copyright or trademark law.

For example, the Federal Circuit's decision allows patentees and patent trolls to use design patents to leverage functional features to obtain total infringer's profits that they could not obtain under utility-patent law. That result strikes at the heart of the innovation that the patent laws are intended to foster. Under the Federal Circuit's decision, design patents are no longer a tool to secure just rewards to patentees for their ornamental inventions but rather a weapon to take profits from others, even where those profits are attributable to the infringer's own innovations that have nothing to do with the patentee's ornamental design.

In the injunction context, patent law and the public interest both lose if "the patented invention is but a small component of the product the companies seek to produce and the threat of an injunction is employed simply for undue leverage in negotiations." *eBay*, 547 U.S. at 396 (Kennedy, J., concurring). The Federal Circuit, applying *eBay*, has likewise recognized that a patentee should not be permitted to use injunctions to "leverage its patent for competitive gain beyond that which the inventive contribution and value of the patent warrant." *Apple Inc. v. Samsung Elecs. Co.*, 695 F.3d 1370, 1375 (Fed. Cir. 2012). So too here, granting patentees leverage (and recovery) far beyond the value of their design patents is contrary to the careful balance struck by the patent laws.

Because of this great potential for abuse, the decision below has prompted a national outcry, with commentators stating that it "poses a real danger for

companies everywhere,"[20] that it will lead to an "explosion of design patent assertions and lawsuits,"[21] and that "design patents [will] becom[e] the next business model for patent assertion entities"—i.e., patent trolls.[22] Even approving commentators noted that the decision below "has the potential to dramatically alter design patent infringement litigation and settlement negotiations" by "giv[ing] design patent holders more leverage over [alleged] infringers."[23]

Companies that do not use their patents—whose only business is patent litigation—have already seized on the decision to demand sizeable payments for pur-

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[20] Jeff John Roberts, *Apple, rounded corners and the new debate over design patents*, FORTUNE (Aug. 19, 2015), http://fortune.com/2015/08/19/apple-patents-rounded-corners/.

[21] Jason Rantanen, *Apple v. Samsung: Design Patents Win*, PATENTLYO (May 18, 2015), http://patentlyo.com/patent/2015/05/samsung-design-patents.html.

[22] Gary L. Griswold, *35 USC 289—After Apple v. Samsung, Time for a Better-Crafted Judicial Standard for Awarding "Total Profits"?*, PATENTLYO (Aug. 14, 2015), http://patentlyo.com/patent/2015/08/griswold-patent-damages.html; *see also* Bartlett Cleland, *Flawed by design*, THE HILL (Oct. 12, 2015), http://thehill.com/blogs/congress-blog/technology/256563-flawed-by-design ("Design patents have become increasingly attractive as a new target" for "patent trolls").

[23] David M. Marcus & Shawn K. Leppo, *Welcome Fallout from the Smartphone Wars: Federal Circuit embraces strong protection of design patents*, METROPOLITAN CORPORATE COUNSEL (July 17, 2015), http://www.metrocorpcounsel.com/articles/32603/welcome-fallout-smartphone-wars-federal-circuit-embraces-strong-protection-design-pat; *see also* Cleland, *supra* n.22 (explaining that decision below creates "perverse incentive ... to bring design patent infringement cases, even with the weakest merits, intended to motivate defendants to settle and avoid the unbalanced risk should damages be assessed").

ported design-patent infringement.[24] The "real losers" from the Federal Circuit's decision thus may well be "smaller enterprises, entrepreneurs and manufacturers that are now at risk of paying total profits over the shape and look of something that's patented."[25] For instance, the Federal Circuit recently relied on the decision below to remand for determination of a small manufacturer's *total* profits from an infringing product (a dock leveler), even though the patented design was for a small component of that product (a lip and hinge plate). *See Nordock, Inc. v. Systems Inc.*, 803 F.3d 1344, 1354-55 (Fed. Cir. 2015).

This issue, moreover, is one of constitutional significance. The Patent Clause authorizes Congress to "promote the Progress of Science ..., by securing for limited Times to ... Inventors the exclusive Right to their respective ... Discoveries." U.S. Const., art. I, § 8, cl. 8. It "reflects a balance between the need to encourage innovation and the avoidance of monopolies which stifle competition." *Bonito Boats*, 489 U.S. at 146. And it thus precludes "enlarge[ment of] the patent monopoly without regard to the innovation, advancement or social benefit gained thereby." *Graham v. John Deere Co.*, 383 U.S. 1, 5-6 (1966).

The Federal Circuit's decision raises serious constitutional questions by permitting a patentee to recover profits well beyond those attributable to

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[24] *See* Giuseppe Macri, *Patent Trolls are Already Abusing the Apple v. Samsung Ruling*, INSIDESOURCES (Oct. 1, 2015), http://www.insidesources.com/patent-trolls-are-already-abusing-the-apple-v-samsung-ruling/.

[25] Steve Lebsock, *Court battle over design patents could affect Colorado economy*, THE BUSINESS TIMES (Nov. 17, 2015), http://thebusinesstimes.com/court-battle-over-design-patents-could-affect-colorado-economy/.

its own "Discoveries." Apple did not "discover" the rounded rectangle or the grid. By permitting findings of infringement based on Samsung's use of such conceptual and functional elements, the decision below expands Apple's patent monopoly far beyond the scope of any ornamental invention. And by upholding an award of Samsung's profits without any link between those profits and Apple's invention, the Federal Circuit has allowed Apple to retain compensation well beyond any harm it could have suffered to its legitimate design-patent monopoly. These two holdings independently (and certainly in combination) present important and recurring issues of constitutional significance that warrant this Court's review.

CONCLUSION

The petition should be granted.

Respectfully submitted,

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December 14, 2015

APPENDIX

APPENDIX A

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

2014-1335, 2015-1029

APPLE INC., a California corporation,

Plaintiff-Appellee

v.

SAMSUNG ELECTRONICS CO., LTD., a Korean corporation, SAMSUNG ELECTRONICS AMERICA, INC., a New York corporation, SAMSUNG TELECOMMUNICATIONS AMERICA, LLC, a Delaware limited liability company,

Defendants-Appellants

Appeals from the United States District Court for the Northern District of California in No. 5:11-cv-01846, Judge Lucy H. Koh.

Decided: May 18, 2015

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Before PROST, *Chief Judge*, O'MALLEY and CHEN, *Circuit Judges*.

PROST, *Chief Judge*.

Samsung Electronics Co., Ltd., Samsung Electronics America, Inc., Samsung Telecommunications America, LLC (collectively, "Samsung") appeal from a final judgment of the U.S. District Court for the Northern District of California in favor of Apple Inc. ("Apple").

A jury found that Samsung infringed Apple's design and utility patents and diluted Apple's trade dresses. For the reasons that follow, we affirm the jury's verdict on the design patent infringements, the validity of two utility patent claims, and the damages awarded for the design and utility patent infringements appealed by Samsung. However, we reverse the jury's findings that the asserted trade dresses are protectable. We therefore vacate the jury's damages awards against the Samsung products that were found liable for trade dress dilution and remand for further proceedings consistent with this opinion.

BACKGROUND

Apple sued Samsung in April 2011. On August 24, 2012, the first jury reached a verdict that numerous Samsung smartphones infringed and diluted Apple's

patents and trade dresses in various combinations and awarded over $1 billion in damages.

The infringed design patents are U.S. Design Patent Nos. D618,677 ("D'677 patent"), D593,087 ("D'087 patent"), and D604,305 ("D'305 patent"), which claim certain design elements embodied in Apple's iPhone. The infringed utility patents are U.S. Patent Nos. 7,469,381 ("'381 patent"), 7,844,915 ("'915 patent"), and 7,864,163 ("'163 patent"), which claim certain features in the iPhone's user interface. The diluted trade dresses are Trademark Registration No. 3,470,983 ("'983 trade dress") and an unregistered trade dress defined in terms of certain elements in the configuration of the iPhone.

Following the first jury trial, the district court upheld the jury's infringement, dilution, and validity findings over Samsung's post-trial motion. The district court also upheld $639,403,248 in damages, but ordered a partial retrial on the remainder of the damages because they had been awarded for a period when Samsung lacked notice of some of the asserted patents. The jury in the partial retrial on damages awarded Apple $290,456,793, which the district court upheld over Samsung's second post-trial motion. On March 6, 2014, the district court entered a final judgment in favor of Apple, and Samsung filed a notice of appeal. We have jurisdiction under 28 U.S.C. § 1295(a)(1).

DISCUSSION

We review the denial of Samsung's post-trial motions under the Ninth Circuit's procedural standards. *See Revolution Eyewear, Inc. v. Aspex Eyewear, Inc.*, 563 F.3d 1358, 1370-71 (Fed. Cir. 2009). The Ninth Circuit reviews de novo a denial of a motion for judgment as a matter of law. *Id.* "The test is whether the evidence, construed in the light most favorable to the nonmoving

party, permits only one reasonable conclusion, and that conclusion is contrary to that of the jury." *Id.* (citing *Theme Promotions, Inc. v. News Am. Mktg. FSI*, 546 F.3d 991, 999 (9th Cir. 2008)).

The Ninth Circuit reviews a denial of a motion for a new trial for an abuse of discretion. *Revolution Eyewear*, 563 F.3d at 1372. "In evaluating jury instructions, prejudicial error results when, looking to the instructions as a whole, the substance of the applicable law was [not] fairly and correctly covered." *Gantt v. City of Los Angeles*, 717 F.3d 702, 707 (9th Cir. 2013) (quoting *Swinton v. Potomac Corp.*, 270 F.3d 794, 802 (9th Cir. 2001)) (alteration in original). The Ninth Circuit orders a new trial based on jury instruction error only if the error was prejudicial. *Id.* A motion for a new trial based on insufficiency of evidence may be granted "only if the verdict is against the great weight of the evidence, or it is quite clear that the jury has reached a seriously erroneous result." *Incalza v. Fendi N. Am., Inc.*, 479 F.3d 1005, 1013 (9th Cir. 2007) (internal quotation marks omitted).

Samsung appeals numerous legal and evidentiary bases for the liability findings and damages awards in the three categories of intellectual property asserted by Apple: trade dresses, design patents, and utility patents. We address each category in turn.

I. Trade Dresses

The jury found Samsung liable for the likely dilution of Apple's iPhone trade dresses under the Lanham Act. When reviewing Lanham Act claims, we look to the law of the regional circuit where the district court sits. *ERBE Elektromedizin GmbH v. Canady Tech. LLC*, 629 F.3d 1278, 1287 (Fed. Cir. 2010). We therefore apply Ninth Circuit law.

The Ninth Circuit has explained that "[t]rade dress is the totality of elements in which a product or service is packaged or presented." *Stephen W. Boney, Inc. v. Boney Servs., Inc.*, 127 F.3d 821, 828 (9th Cir. 1997). The essential purpose of a trade dress is the same as that of a trademarked word: to identify the source of the product. 1 McCarthy on Trademarks and Unfair Competition § 8:1 (4th ed.) ("[L]ike a word asserted to be a trademark, the elements making up the alleged trade dress must have been *used* in such a manner as to denote product source."). In this respect, "protection for trade dress exists to promote competition." *TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 28 (2001).

The protection for source identification, however, must be balanced against "*a fundamental right to compete through imitation of a competitor's product . . .*" *Leatherman Tool Grp., Inc. v. Cooper Indus., Inc.*, 199 F.3d 1009, 1011-12 (9th Cir. 1999). This "right can only be *temporarily* denied by the patent or copyright laws." *Id.* In contrast, trademark law allows for a perpetual monopoly and its use in the protection of "physical details and design of a product" must be limited to those that are "nonfunctional." *Id.* at 1011-12; *see also Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 164-65 (1995) ("If a product's functional features could be used as trademarks, however, a monopoly over such features could be obtained without regard to whether they qualify as patents and could be extended forever (because trademarks may be renewed in perpetuity)."). Thus, it is necessary for us to determine first whether Apple's asserted trade dresses, claiming elements from its iPhone product, are non-functional and therefore protectable.

"In general terms, a product feature is functional if it is essential to the use or purpose of the article or if

it affects the cost or quality of the article." *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 850 n.10 (1982). "A product feature need only have *some* utilitarian advantage to be considered functional." *Disc Golf Ass'n v. Champion Discs, Inc.*, 158 F.3d 1002, 1007 (9th Cir. 1998). A trade dress, taken as a whole, is functional if it is "in its particular shape *because it works better in this shape*." *Leatherman*, 199 F.3d at 1013.

"[C]ourts have noted that it is, and should be, more difficult to claim product configuration trade dress than other forms of trade dress." *Id.* at 1012-13 (discussing cases). Accordingly, the Supreme Court and the Ninth Circuit have repeatedly found product configuration trade dresses functional and therefore non-protectable. *See, e.g., TrafFix*, 532 U.S. at 26-27, 35 (reversing the Sixth Circuit's reversal of the district court's grant of summary judgment that a trade dress on a dual-spring design for temporary road sign stands was functional); *Secalt S.A. v. Wuxi Shenxi Const. Mach. Co.*, 668 F.3d 677, 687 (9th Cir. 2012) (affirming summary judgment that a trade dress on a hoist design was functional); *Disc Golf*, 158 F.3d at 1006 (affirming summary judgment that a trade dress on a disc entrapment design was functional).

Moreover, federal trademark registrations have been found insufficient to save product configuration trade dresses from conclusions of functionality. *See, e.g., Talking Rain Beverage Co. v. S. Beach Beverage*, 349 F.3d 601, 602 (9th Cir. 2003) (affirming summary judgment that registered trade dress covering a bottle design with a grip handle was functional); *Tie Tech, Inc. v. Kinedyne Corp.*, 296 F.3d 778, 782-83 (9th Cir. 2002) (affirming summary judgment that registered trade dress covering a handheld cutter design was functional). The Ninth Circuit has even reversed a jury

verdict of non-functionality of a product configuration trade dress. *See Leatherman*, 199 F.3d at 1013 (reversing jury verdict that a trade dress on the overall appearance of a pocket tool was non-functional). Apple conceded during oral argument that it had not cited a single Ninth Circuit case that found a product configuration trade dress to be non-functional. Oral Arg. 49:06-30, *available at* http://www.cafc.uscourts.gov/oral-argument-recordings/14-1335/all.

The Ninth Circuit's high bar for non-functionality frames our review of the two iPhone trade dresses on appeal. While the parties argue without distinguishing the two trade dresses, the unregistered trade dress and the registered '983 trade dress claim different details and are afforded different evidentiary presumptions under the Lanham Act. We analyze the two trade dresses separately below.

A. Unregistered Trade Dress

Apple claims elements from its iPhone 3G and 3GS products to define the asserted unregistered trade dress:

> a rectangular product with four evenly rounded corners;
>
> a flat, clear surface covering the front of the product;
>
> a display screen under the clear surface;
>
> substantial black borders above and below the display screen and narrower black borders on either side of the screen; and
>
> when the device is on, a row of small dots on the display screen, a matrix of colorful square icons with evenly rounded corners within the display screen, and an unchanging bottom dock

> of colorful square icons with evenly rounded corners set off from the display's other icons.

Appellee's Br. 10-11. As this trade dress is not registered on the principal federal trademark register, Apple "has the burden of proving that the claimed trade dress, taken as a whole, is not functional . . . ." *See* 15 U.S.C. § 1125(c)(4)(A).

Apple argues that the unregistered trade dress is non-functional under each of the *Disc Golf* factors that the Ninth Circuit uses to analyze functionality: "(1) whether the design yields a utilitarian advantage, (2) whether alternative designs are available, (3) whether advertising touts the utilitarian advantages of the design, and (4) whether the particular design results from a comparatively simple or inexpensive method of manufacture." *See Disc Golf*, 158 F.3d at 1006. However, the Supreme Court has more recently held that "a feature is also functional . . . when it affects the cost or quality of the device." *See TrafFix*, 532 U.S. at 33. The Supreme Court's holding was recognized by the Ninth Circuit as "short circuiting some of the *Disc Golf* factors." *Secalt*, 668 F.3d at 686-87. Nevertheless, we explore Apple's contentions on each of the *Disc Golf* factors and conclude that there was insufficient evidence to support a jury finding in favor of non-functionality on any factor.

1. Utilitarian Advantage

Apple argues that "the iPhone's physical design did not 'contribute unusually . . . to the usability' of the device." Appellee's Br. 61 (quoting J.A. 41095:11-12) (alteration in original). Apple further contends that the unregistered trade dress was "developed . . . not for 'superior performance.'" *Id.* at 62 n.18. Neither "unusual usability" nor "superior performance," however, is

the standard used by the Ninth Circuit to determine whether there is any utilitarian advantage. The Ninth Circuit "has never held, as [plaintiff] suggests, that the product feature must provide *superior* utilitarian advantages. To the contrary, [the Ninth Circuit] has suggested that in order to establish nonfunctionality the party with the burden must demonstrate that the product feature serves *no purpose* other than identification." *Disc Golf*, 158 F.3d at 1007 (internal quotation marks omitted).

The requirement that the unregistered trade dress "serves *no purpose* other than identification" cannot be reasonably inferred from the evidence. Apple emphasizes a single aspect of its design, beauty, to imply the lack of other advantages. But the evidence showed that the iPhone's design pursued more than just beauty. Specifically, Apple's executive testified that the theme for the design of the iPhone was:

> to create a new breakthrough design for a phone that was beautiful and simple and *easy to use* and created a beautiful, smooth surface that had a touchscreen and went right to the rim with the bezel around it and looking for a look that we found was beautiful and *easy to use* and appealing.

J.A. 40722-23 (emphases added).

Moreover, Samsung cites extensive evidence in the record that showed the usability function of every single element in the unregistered trade dress. For example, rounded corners improve "pocketability" and "durability" and rectangular shape maximizes the display that can be accommodated. J.A. 40869-70; J.A. 42612-13. A flat clear surface on the front of the phone facilitates touch operation by fingers over a large display. J.A. 42616-

17 The bezel protects the glass from impact when the phone is dropped. J.A. 40495. The borders around the display are sized to accommodate other components while minimizing the overall product dimensions. J.A. 40872. The row of dots in the user interface indicates multiple pages of application screens that are available. J.A. 41452-53. The icons allow users to differentiate the applications available to the users and the bottom dock of unchanging icons allows for quick access to the most commonly used applications. J.A. 42560-61; J.A. 40869-70. Apple rebuts none of this evidence.

Apple conceded during oral argument that its trade dress "improved the quality [of the iPhone] in some respects." Oral Arg. 56:09-17. It is thus clear that the unregistered trade dress has a utilitarian advantage. *See Disc Golf*, 158 F.3d at 1007.

2. Alternative Designs

The next factor requires that purported alternative designs "offer *exactly* the same features" as the asserted trade dress in order to show non-functionality. *Tie Tech*, 296 F.3d at 786 (quoting *Leatherman*, 199 F.3d at 1013-14). A manufacturer "does not have rights under trade dress law to compel its competitors to resort to alternative designs which have a different set of advantages and disadvantages." *Id.*

Apple, while asserting that there were "*numerous* alternative designs," fails to show that any of these alternatives offered exactly the same features as the asserted trade dress. Appellee's Br. 62. Apple simply catalogs the mere existence of other design possibilities embodied in rejected iPhone prototypes and other manufacturers' smartphones. The "mere existence" of

other designs, however, does not prove that the unregistered trade dress is non-functional. *See Talking Rain*, 349 F.3d at 604.

3. Advertising of Utilitarian Advantages

"If a seller advertises the utilitarian advantages of a particular feature, this constitutes strong evidence of functionality." *Disc Golf*, 158 F.3d at 1009. An "inference" of a product feature's utility in the plaintiff's advertisement is enough to weigh in favor of functionality of a trade dress encompassing that feature. *Id.*

Apple argues that its advertising was "[f]ar from touting any utilitarian advantage of the iPhone design . . . ." Appellee's Br. 60. Apple relies on its executive's testimony that an iPhone advertisement, portraying "the distinctive design very clearly," was based on Apple's "product as hero" approach. *Id.* (quoting J.A. 40641-42; 40644:22). The "product as hero" approach refers to Apple's stylistic choice of making "the product the biggest, clearest, most obvious thing in [its] advertisements, often at the expense of anything else around it, to remove all the other elements of communication so [the viewer] see[s] the product most predominantly in the marketing." J.A. 40641-42.

Apple's arguments focusing on its stylistic choice, however, fail to address the substance of its advertisements. The substance of the iPhone advertisement relied upon by Apple gave viewers "the ability to see a bit about how it might work," for example, "how flicking and scrolling and tapping and all these multitouch ideas simply [sic]." J.A. 40644:23-40645:2. Another advertisement cited by Apple similarly displayed the message, "[t]ouching is believing," under a picture showing a user's hand interacting with the graphical user interface of an iPhone. J.A. 24896. Apple fails to show

that, on the substance, these demonstrations of the user interface on iPhone's touch screen involved the elements claimed in Apple's unregistered trade dress and why they were not touting the utilitarian advantage of the unregistered trade dress.

4. Method of Manufacture

The fourth factor considers whether a functional benefit in the asserted trade dress arises from "economies in manufacture or use," such as being "relatively simple or inexpensive to manufacture." *Disc Golf*, 158 F.3d at 1009.

Apple contends that "[t]he iPhone design did not result from a 'comparatively simple or inexpensive method of manufacture'" because Apple experienced manufacturing challenges. Appellee's Br. 61 (quoting *Talking Rain*, 349 F.3d at 603). Apple's manufacturing challenges, however, resulted from the durability considerations for the iPhone and not from the design of the unregistered trade dress. According to Apple's witnesses, difficulties resulted from its choices of materials in using "hardened steel"; "very high, high grade of steel"; and, "glass that was not breakable enough, scratch resistant enough." *Id.* (quoting J.A. 40495-96, 41097). These materials were chosen, for example, for the iPhone to survive a drop:

> If you drop this, you don't have to worry about the ground hitting the glass. You have to worry about the band of steel surrounding the glass hitting the glass. . . . In order to, to make it work, we had to use very high, high grade of steel because we couldn't have it sort of deflecting into the glass.

J.A. 40495-96. The durability advantages that resulted from the manufacturing challenges, however, are outside the scope of what Apple defines as its unregistered trade dress. For the design elements that comprise Apple's unregistered trade dress, Apple points to no evidence in the record to show they were not relatively simple or inexpensive to manufacture. *See Disc Golf*, 158 F.3d at 1009 ("[Plaintiff], which has the burden of proof, offered no evidence that the [asserted] design was not relatively simple or inexpensive to manufacture.").

In sum, Apple has failed to show that there was substantial evidence in the record to support a jury finding in favor of non-functionality for the unregistered trade dress on any of the *Disc Golf* factors. Apple fails to rebut the evidence that the elements in the unregistered trade dress serve the functional purpose of improving usability. Rather, Apple focuses on the "beauty" of its design, even though Apple pursued both "beauty" and functionality in the design of the iPhone. We therefore reverse the district court's denial of Samsung's motion for judgment as a matter of law that the unregistered trade dress is functional and therefore not protectable.

B. The Registered '983 Trade Dress

In contrast to the unregistered trade dress, the '983 trade dress is a federally registered trademark. The federal trademark registration provides "prima facie evidence" of non-functionality. *Tie Tech*, 296 F.3d at 782-83. This presumption "shift[s] the burden of production to the defendant . . to provide evidence of functionality." *Id.* at 783. Once this presumption is overcome, the registration loses its legal significance on the issue of functionality. *Id.* ("In the face of sufficient and undisputed facts demonstrating functionality, . . the registration loses its evidentiary significance.").

The '983 trade dress claims the design details in each of the sixteen icons on the iPhone's home screen framed by the iPhone's rounded-rectangular shape with silver edges and a black background:

> The first icon depicts the letters "SMS" in green inside a white speech bubble on a green background;
>
> . . .
>
> the seventh icon depicts a map with yellow and orange roads, a pin with a red head, and a red-and-blue road sign with the numeral "280" in white;
>
> . . .
>
> the sixteenth icon depicts the distinctive configuration of applicant's media player device in white over an orange background.

'983 trade dress (omitting thirteen other icon design details for brevity).

It is clear that individual elements claimed by the '983 trade dress are functional. For example, there is no dispute that the claimed details such as "the seventh icon depicts a map with yellow and orange roads, a pin with a red head, and a red-and-blue road sign with the numeral '280' in white" are functional. *See id.* Apple's user interface expert testified on how icon designs promote usability. This expert agreed that "the whole point of an icon on a smartphone is to communicate to the consumer using that product, that if they hit that icon, certain functionality will occur on the phone." J.A. 41458-59. The expert further explained that icons are "[v]isual shorthand for something" and that "rectangular containers" for icons provide "more real estate"

to accommodate the icon design. J.A. 41459, 41476. Apple rebuts none of this evidence.

Apple contends instead that Samsung improperly disaggregates the '983 trade dress into individual elements to argue functionality. But Apple fails to explain how the total combination of the sixteen icon designs in the context of iPhone's screen-dominated rounded-rectangular shape—all part of the iPhone's "easy to use" design theme—somehow negates the undisputed usability function of the individual elements. *See* J.A. 40722-23. Apple's own brief even relies on its expert's testimony about the "instant recognizability due to highly intuitive icon usage" on "the home screen of the iPhone." J.A. 41484; Appellee's Br. 43, 70, 71 (quoting J.A. 41484). Apple's expert was discussing an analysis of the iPhone's overall combination of icon designs that allowed a user to recognize quickly particular applications to use. J.A. 41484, 25487. The iPhone's usability advantage from the combination of its icon designs shows that the '983 trade dress viewed as a whole "is nothing other than the assemblage of functional parts . . . ." *See Tie Tech*, 296 F.3d at 786 (quoting *Leatherman*, 199 F.3d at 1013). There is no "separate 'overall appearance' which is non-functional." *Id.* (quoting *Leatherman*, 199 F.3d at 1013). The undisputed facts thus demonstrate the functionality of the '983 trade dress. "In the face of sufficient and undisputed facts demonstrating functionality, as in our case, the registration loses its evidentiary significance." *See id.* at 783.

The burden thus shifts back to Apple. *See id.* But Apple offers no analysis of the icon designs claimed by the '983 trade dress. Rather, Apple argues generically for its two trade dresses without distinction under the *Disc Golf* factors. Among Apple's lengthy citations to the record, we can find only two pieces of information

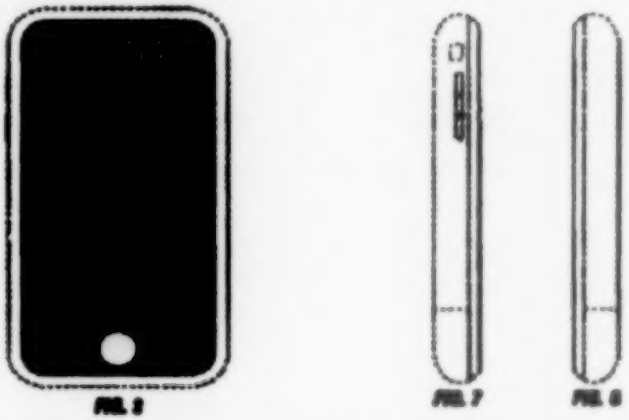
that involve icon designs. One is Apple's user interface expert discussing other possible icon designs. The other is a citation to a print iPhone advertisement that included the icon designs claimed in the '983 trade dress. These two citations, viewed in the most favorable light to Apple, would be relevant to only two of the *Disc Golf* factors: "alternative design" and "advertising." But the cited evidence suffers from the same defects as discussed in subsections I.A.2 and I.A.3. Specifically, the expert's discussion of other icon design possibilities does not show that the other design possibilities "offer[ed] *exactly* the same features" as the '983 trade dress. *See Tie Tech*, 296 F.3d at 786 (quoting *Leatherman*, 199 F.3d at 1013-14). The print iPhone advertisement also fails to establish that, on the substance, it was not touting the utilitarian advantage of the '983 trade dress. The evidence cited by Apple therefore does not show the non-functionality of the '983 trade dress.

In sum, the undisputed evidence shows the functionality of the registered '983 trade dress and shifts the burden of proving non-functionality back to Apple. Apple, however, has failed to show that there was substantial evidence in the record to support a jury finding in favor of non-functionality for the '983 trade dress on any of the *Disc Golf* factors. We therefore reverse the district court's denial of Samsung's motion for judgment as a matter of law that the '983 trade dress is functional and therefore not protectable.

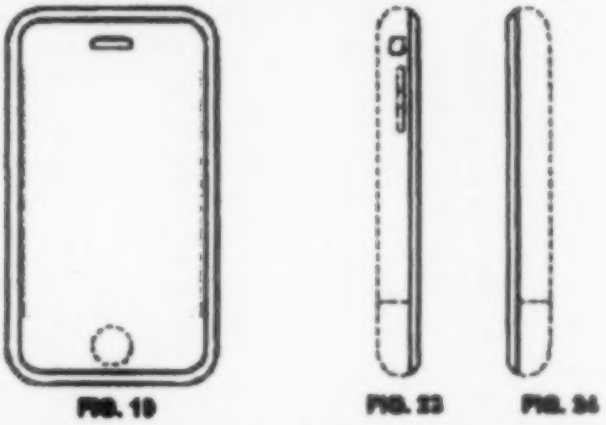
Because we conclude that the jury's findings of non-functionality of the asserted trade dresses were not supported by substantial evidence, we do not reach Samsung's arguments on the fame and likely dilution of the asserted trade dresses, the Patent Clause of the Constitution, or the dilution damages.

II. Design Patents

The design patents on appeal claim certain design elements embodied in the iPhone. The D'677 patent focuses on design elements on the front face of the iPhone:



The D'087 patent claims another set of design features that extend to the bezel of the iPhone:



The D'305 patent claims "the ornamental design for a graphical user interface for a display screen or portion thereof" as shown in the following drawing:

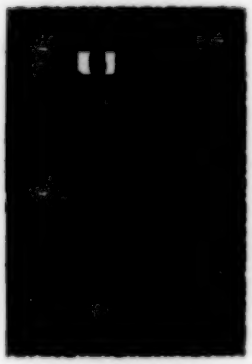


FIG. 1

Samsung contends that it should not have been found liable for infringement of the asserted design patents because any similarity was limited to the basic or functional elements in the design patents. Moreover, according to Samsung, there was no evidence of actual deception of consumers and that the differences between the accused smartphones and the asserted design patents should have been clear if prior art designs were properly considered. Samsung raises these three issues—functionality, actual deception, and comparison to prior art—in the context of the jury instructions and the sufficiency of evidence to support the infringement verdict. Finally, Samsung argues that the district court legally erred in allowing the jury to award as damages Samsung's entire profits on its infringing smartphones. We do not find any of these challenges persuasive as discussed below.

A. Infringement

1. Jury Instructions

a. Functional Aspects in the Asserted Design Patents

"Where a design contains both functional and non-functional elements, the scope of the claim must be construed in order to identify the non-functional

aspects of the design as shown in the patent." *OddzOn Prods., Inc. v. Just Toys, Inc.*, 122 F.3d 1396, 1405 (Fed. Cir. 1997). Samsung contends that the district court erred in failing to exclude the functional aspects of the design patents either in the claim construction or elsewhere in the infringement jury instructions. Specifically, Samsung contends that the district court should have excluded elements that are "'dictated by their functional purpose,' or cover the 'structural . . aspects of the article.'" Appellants' Br. 23 (quoting *Richardson v. Stanley Works, Inc.*, 597 F.3d 1288, 1294 (Fed. Cir. 2010); *Lee v. Dayton-Hudson Corp.*, 838 F.2d 1186, 1188 (Fed. Cir. 1988)) (alteration in original) (citation omitted). Such elements, according to Samsung, should be "ignored" in their entirety from the design patent claim scope. *Id.* at 29. For example, Samsung contends that rectangular form and rounded corners are among such elements that should be ignored in the infringement analysis. *See, e.g., id.*

Our case law does not support Samsung's position. In *Richardson*, the design patent at issue depicted a multifunction tool with numerous components that were "dictated by their functional purpose." 597 F.3d at 1294. But the claim construction in *Richardson* did not exclude those components in their entirety. Rather, the claim construction included the ornamental aspects of those components: "the standard shape of the hammer-head, the diamond-shaped flare of the crow-bar and the top of the jaw, the rounded neck, the orientation of the crow-bar relative to the head of the tool, and the plain, undecorated handle." *Richardson v. Stanley Works, Inc.*, 610 F. Supp. 2d 1046, 1050 (D. Ariz. 2009). That construction was affirmed on appeal. *Richardson*, 597 F.3d at 1294. As such, the language "dictated by their functional purpose" in *Richardson* was only a description of the facts there; it did not

establish a rule to eliminate entire elements from the claim scope as Samsung argues.

Our case law likewise does not support Samsung's proposed rule of eliminating any "structural" aspect from the claim scope. Samsung arrives at its proposed rule by selecting a few words from the following statement in *Lee*: "[d]esign patents do not and cannot include claims to the structural or functional aspects of the article . . . ." 838 F.2d at 1188. But that statement addressed design patent validity. *See id.* (quoting 37 C.F.R. § 1.153(a) on a design patent application requirement). It did not specify a rule, as Samsung represents, to eliminate elements from the claim scope of a valid patent in analyzing infringement.

More directly applicable to the claim scope issue at hand, *Lee* stated elsewhere that "it is the non-functional, design aspects that are pertinent to determinations of infringement." *Id.* (footnote omitted). That principle was properly reflected in this case in the district court's construction of the design patents as claiming only "the ornamental design" as shown in the patent figures. J.A. 01390-91. Samsung has not persuasively shown how the district court's claim constructions were legally erroneous under *Lee* or *Richardson*. *See Richardson*, 597 F.3d at 1295 (noting that "discounting of functional elements must not convert the overall infringement test to an element-by-element comparison").

Samsung asserted alternatively during oral argument that the jury should have been instructed to compare the accused Samsung smartphones to the "overall *ornamental* appearance" of a patented design, instead of simply "the overall appearance" as the district court provided. Oral Arg. 4:06–4:25, 5:54–6:10. According to Samsung, "crucially, what's missing there is the word 'ornamental.'" *Id.* at 4:25–4:28. But jury instructions

are reviewed "as a whole" to determine whether "the substance of the applicable law was [not] fairly and correctly covered" such that the alleged error was prejudicial. *See Gantt*, 717 F.3d at 706 (quoting *Swinton*, 270 F.3d at 802) (alteration in original). The jury instructions, as a whole, already limited the scope of the asserted design patents to the "ornamental" elements through the claim constructions as discussed earlier: the design patents were each construed as claiming "the ornamental design" as shown in the patent figures. J.A. 01390-91. As such, Samsung has failed to show prejudicial error in the jury instructions as a whole that would warrant a new trial.

b. Actual Deception and Role of Prior Art

Samsung further contends that the infringement instruction was erroneous for stating that actual deception was not required, and for providing guidelines in considering prior art. A design patent is infringed if an ordinary observer would have been deceived: "if, in the eye of an ordinary observer, giving such attention as a purchaser usually gives, two designs are substantially the same, if the resemblance is such as to deceive such an observer, inducing him to purchase one supposing it to be the other, the first one patented is infringed by the other." *Gorham Co. v. White*, 81 U.S. 511, 528 (1872). Moreover, an infringement analysis must include a comparison of the asserted design against the prior art: "[i]f the accused design has copied a particular feature of the claimed design that departs conspicuously from the prior art, the accused design is naturally more likely to be regarded as deceptively similar to the claimed design, and thus infringing." *Egyptian Goddess, Inc. v. Swisa, Inc.*, 543 F.3d 665, 678 (Fed. Cir. 2008) (en banc).

These holdings from *Gorham* and *Egyptian Goddess* were reflected in the infringement instruction here, and Samsung does not contend otherwise. Samsung argues instead that the portions in the infringement instruction highlighted below made the jury consider a lack of actual deception irrelevant and led the jury to disregard the prior art:

> Two designs are substantially the same if, in the eye of an ordinary observer, giving such attention as a purchaser usually gives, the resemblance between the two designs is such as to deceive such an observer, inducing him to purchase one supposing it to be the other. *You do not need, however, to find that any purchasers actually were deceived or confused by the appearance of the accused Samsung products.* . .
>
> This determination of whether two designs are substantially the same will benefit from comparing the two designs with prior art. You must familiarize yourself with the prior art admitted at trial in making your determination of whether there has been direct infringement.
>
> You may find the *following guidelines helpful to your analysis* . . .

J.A. 1394 (emphases added).

We conclude instead that the jury instruction simply clarified that actual deception was not required, which is an accurate reflection of the analysis in *Gorham*. *See* 81 U.S. at 530 (crediting expert opinions "that ordinary purchasers would be likely to mistake the [accused] designs for the [patented design]").

We also conclude that the jury instruction expressly required that each juror "must" consider the prior art admitted at trial. J.A. 1394 ("You must familiarize yourself with the prior art admitted at trial in making your determination of whether there has been direct infringement."). The jury instruction's guidelines did not reduce the entire prior art analysis to a mere option as Samsung contends.

Samsung again has failed to show that "when, looking to the instructions as a whole, the substance of the applicable law was [not] fairly and correctly covered." *See Gantt*, 717 F.3d at 706 (quoting *Swinton*, 270 F.3d at 802) (alteration in original).

2. Supporting Evidence

Samsung contends that the infringement verdict was not supported by substantial evidence. Samsung's contentions, however, are premised on the same issues—functionality, actual deception, and comparison to prior art—it raises in the context of the jury instructions. *See, e.g.*, Appellants' Br. 27 ("The uncontroverted evidence at trial showed the claimed features in Apple's design patents to be overwhelmingly not ornamental, but structural or functional.").

Having rejected the jury instruction challenges, we likewise find Samsung's parallel substantial evidence complaints unpersuasive. Apple's witnesses provided sufficient testimonies to allow the jury to account for any functional aspects in the asserted design patents. Additionally, the witnesses testified on the similar overall visual impressions of the accused products to the asserted design patents such that an ordinary observer would likely be deceived. Apple's experts also testified about the differences between the asserted patents and both the prior art and other competing

designs. The jury could have reasonably relied on the evidence in the record to reach its infringement verdict.

3. Preclusion of Evidence

Samsung also appeals the district court's preclusion of testimony on Samsung's independent development of its F700 phone that pre-dated the iPhone to rebut an allegation of copying. The evidence on the F700 was previously excluded as a prior art reference under a Rule 37 sanction due to Samsung's failure to timely disclose the evidence during discovery, which Samsung does not challenge.

The district court found that Samsung's witness did not design any of the accused devices and was unaware that any of the accused devices was based on the F700. The district court thus determined that the proffered testimony of Samsung's witness would have limited probative value on the question of whether Samsung copied any of Apple's design patents because she lacked first-hand knowledge relevant to the underlying issue. As a result, the district court concluded that the limited probative value of the testimony was outweighed by the likelihood that it would be considered by the jury for the prohibited purpose under the earlier Rule 37 sanction. We find that the district court acted within its discretion in precluding Samsung's proffered testimony to rebut an allegation of copying.

We conclude that there was no prejudicial legal error in the infringement jury instructions on the three issues that Samsung raises: functionality, actual deception, and comparison to prior art. We further conclude that the district court did not abuse its discretion in excluding Samsung's evidence of independent development and that there was substantial evidence to support the jury's infringement findings. We therefore affirm the

district court's denial of Samsung's motion for judgment as a matter of law on design patent infringement and Samsung's alternative motion for a new trial.

B. Damages

Finally, with regard to the design patents, Samsung argues that the district court legally erred in allowing the jury to award Samsung's entire profits on its infringing smartphones as damages. The damages, according to Samsung, should have been limited to the profit attributable to the infringement because of "basic causation principles . . . ." Appellants' Br. 36-37 Samsung contends that "Apple failed to establish that infringement of its limited design patents . . caused *any* Samsung sales or profits." *Id.* at 40. Samsung further contends that consumers chose Samsung based on a host of other factors. *Id.*

These "causation" arguments, however, advocate the same "apportionment" requirement that Congress rejected. *See Nike, Inc. v. Wal-Mart Stores, Inc.*, 138 F.3d 1437, 1441 (Fed. Cir. 1998). "Apportionment . . required [the patentee] to show what portion of the infringer's profit, or of his own lost profit, was due to the design and what portion was due to the article itself. . . The Act of 1887, specific to design patents, removed the apportionment requirement . . . ." *Id.* The provisions in the Act of 1887 on design patent infringement damages were subsequently codified in Section 289 of Title 35. *Id.* at 1440-43 (containing a detailed and thorough discussion of the legislative history that need not be repeated here).

Section 289 now provides:

> Whoever during the term of a patent for a design, without license of the owner, (1) applies

> the patented design, or any colorable imitation thereof, to any article of manufacture for the purpose of sale, or (2) sells or exposes for sale any article of manufacture to which such design or colorable imitation has been applied *shall be liable to the owner to the extent of his total profit*, but not less than $250, recoverable in any United States district court having jurisdiction of the parties.
>
> Nothing in this section shall prevent, lessen, or impeach any other remedy which an owner of an infringed patent has under the provisions of this title, but he shall not twice recover the profit made from the infringement.

35 U.S.C. § 289 (emphasis added). In reciting that an infringer "shall be liable to the owner to the extent of [the infringer's] total profit," Section 289 explicitly authorizes the award of total profit from the article of manufacture bearing the patented design.[1] Several other courts also concluded that Section 289 authorizes such award of total profit. *See Schnadig Corp. v. Gaines Mfg. Co.*, 620 F.2d 1166, 1171 (6th Cir. 1980); *Henry Hanger & Display Fixture Corp. of Am. v. Sel-O-Rak Corp.*, 270 F.2d 635, 643-44 (5th Cir. 1959); *Bergstrom v. Sears, Roebuck & Co.*, 496 F. Supp. 476, 495 (D. Minn. 1980). The clear statutory language prevents us from adopting a "causation" rule as Samsung urges.

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[1] Amici 27 Law Professors argues that an award of a defendant's entire profits for design patent infringement makes no sense in the modern world. Those are policy arguments that should be directed to Congress. We are bound by what the statute says, irrespective of policy arguments that may be made against it.

Samsung continues its quest for apportionment by arguing, alternatively, that the profits awarded should have been limited to the infringing "article of manufacture," not the entire infringing product. Samsung argues for limiting the profits awarded to "the portion of the product as sold that incorporates or embodies the subject matter of the patent." Appellants' Br. 38. Samsung contends that the Second Circuit had "allowed an award of infringer's profits from the patented design of a *piano case* but *not* from the sale of *the entire piano* . . . ." *Id.* These Second Circuit opinions, however, addressed a factual situation where "[a] purchaser desiring a piano of a particular manufacturer may have the piano placed in any one of several cases dealt in by the maker." *Bush & Lane Piano Co. v. Becker Bros.*, 222 F. 902, 903 (2d Cir. 1915). That factual situation occurred in the context of the commercial practice in 1915 in which ordinary purchasers regarded a piano and a piano case as distinct articles of manufacture. The facts at hand are different. The innards of Samsung's smartphones were not sold separately from their shells as distinct articles of manufacture to ordinary purchasers. We thus do not agree with Samsung that these Second Circuit cases required the district court to limit the damages for design patent infringement in this case.

We agree with the district court that there was no legal error in the jury instruction on the design patent damages. Samsung does not argue a lack of substantial evidence to support the damages awards under the district court's jury instruction. We therefore affirm the damages awarded for design patent infringements.

III. Utility Patents

Finally, Samsung challenges the validity of claim 50 of the '163 patent and claim 8 of the '915 patent. Samsung also challenges the damages awarded for utility patent infringement.

A. Validity

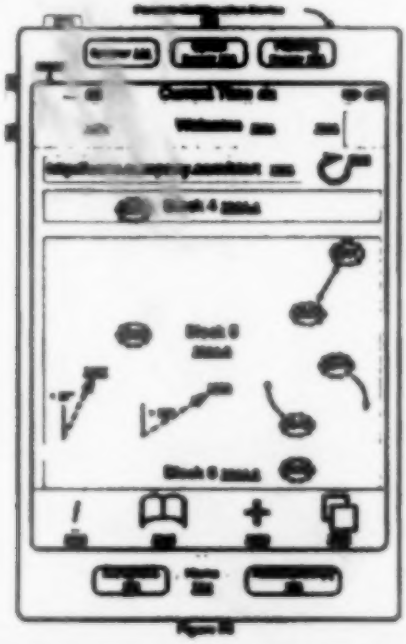
1. Indefiniteness of Claim 50 of the '163 Patent

Claim 50 of the '163 patent relates to a user interface feature in which a user's double tapping on a portion of an electronic document causes the portion to be enlarged and "substantially centered" on the display. '163 patent, claim 50. Samsung contends that claim 50 is indefinite because the '163 patent provides "no objective standard to measure the scope of the term 'substantially centered.'" Appellants' Br. 66.

Samsung's complaint about a lack of an "objective standard [of] measure" is seeking a level of precision that exceeds the definiteness required of valid patents. "The definiteness requirement . . mandates clarity, while recognizing that absolute precision is unattainable." *Nautilus, Inc. v. Biosig Instruments, Inc.*, 134 S. Ct. 2120, 2129 (2014). Given this recognition, "a patent is invalid for indefiniteness if its claims, read in light of the specification delineating the patent, and the prosecution history, fail to inform, with reasonable certainty, those skilled in the art about the scope of the invention." *Id.* at 2124.

Samsung, however, points to no evidence showing that skilled artisans would find the element "substantially centered" as lacking reasonable certainty in its scope. In contrast, Apple's expert explained that the "padding" allowed in the '163 patent provides skilled artisans with enough information to understand what

"substantially centered" means in the patent. J.A. 41907-09. Apple's expert cites a discussion in the specification of an embodiment referring to the figure reproduced below where the enlarged portion of the document is essentially centered except for "a predefined amount of padding along the sides of the display." *See* '163 patent col. 17 ll. 26-30.



Apple thus presented evidence to show that skilled artisans would interpret "substantially centered" in the '163 patent to mean essentially centered except for a marginal spacing to accommodate ancillary graphical user interface elements. We are not persuaded by Samsung's attempt to discredit this expert testimony. We therefore agree with the district court that Samsung failed to carry its burden in challenging the validity of claim 50 of the '163 patent for indefiniteness.

2. Anticipation of Claim 8 of the '915 Patent

Claim 8 of the '915 patent describes a computer-based method for distinguishing between scrolling and gesture (such as zooming) operations on a touch screen. '915

patent, claim 8. The dispute centers on whether a prior art reference, the Nomura patent application, taught the "event object" element in claim 8. The claim recites "event object" in the context such as: "creating an event object in response to the user input; determining whether the event object invokes a scroll or gesture operation . . . ." *Id.* Samsung contends that the "movement history" in Nomura inherently disclosed the "event object" in claim 8 based on the opinion of its expert. Appellants' Br. 64-65.

Apple, however, rebuts with its own expert testimony. Apple's expert explained that "event objects" in claim 8 refers to a particular "programming construct[]" and that there were many potential programming alternatives that Nomura could have used to implement the "movement history" it disclosed. J.A. 43636-37. According to the explanation by Apple's expert, Nomura did not inherently disclose the claimed "event object." We find that a reasonable jury could have credited the testimony of Apple's expert over Samsung's expert. Thus, we agree with the district court that there was substantial evidence to support the jury's finding that claim 8 of the '915 patent was not anticipated.

B. Damages

Apple advanced at trial both lost profits and reasonable royalty damages theories. The jury determined that for certain Samsung phones found to infringe the '915 patent, no reasonable non-infringing alternative was available, and thus lost profits was an appropriate measure of damages. For the other Samsung phones found to infringe Apple's utility patents-in-suit, the jury determined that an award of lost profits was not supported, and thus awarded Apple a reasonable royalty for Samsung's infringement.

1. Lost Profits for Infringement of the '915 Patent

"To recover lost profits, the patent owner must show causation in fact, establishing that but for the infringement, he would have made additional profits." *Grain Processing Corp. v. Am. Maize-Prods.*, 185 F.3d 1341, 1349 (Fed. Cir. 1999). The patentee must "take[] into account any alternatives available to the infringer." *Id.* at 1351. "[M]arket sales of an acceptable noninfringing substitute often suffice alone to defeat a case for lost profits." *Id.* at 1352.

Samsung argues that lost profits should not have been awarded because the evidence showed the existence of non-infringing substitutes. Specifically, Samsung contends that two Samsung phones, found to have not infringed the '915 patent, should have been considered by the jury as non-infringing substitutes. Samsung further asserts that Apple failed to prove consumer preference of the '915 patent's technology over a purportedly comparable feature available in the two non-infringing Samsung phones.

However, "the '[m]ere existence of a competing device does not make that device an acceptable substitute.'" *Presidio Components, Inc. v. Am. Tech. Ceramics Corp.*, 702 F.3d 1351, 1361 (Fed. Cir. 2012) (quoting *TWM Mfg. Co. v. Dura Corp.*, 789 F.2d 895, 901 (Fed. Cir. 1986)) (alteration in original). The mere existence of non-infringing phones is all Samsung is relying on to attack the jury's verdict. For example, Samsung points to no evidence to support its assertion that the two non-infringing phones included a feature comparable to the one claimed in the '915 patent.

In contrast, there was substantial evidence to support the jury's refusal to consider the two phones asserted by Samsung as non-infringing substitutes. Of these

two phones, one had significantly different features, such as a slide-out physical keyboard in combination with a small, low-resolution screen. *See Kaufman Co. v. Lantech, Inc.*, 926 F.2d 1136, 1142 (Fed. Cir. 1991) ("To be deemed *acceptable,* the alleged acceptable noninfringing substitute must not have a disparately higher price than or possess characteristics significantly different from the patented product."). And the other phone was never sold by a U.S. carrier. *See Grain Processing*, 185 F.3d at 1349 ("[T]o be an acceptable non-infringing substitute, the product or process must have been available or on the market at the time of infringement."). The jury could have reasonably found that these two Samsung phones were not acceptable alternatives. Samsung's unsupported assertion to the contrary fails to show a lack of substantial evidence supporting the awards of lost profits.

2. Reasonable Royalty

Samsung argues that Apple's expert in the damages retrial, Ms. Davis, offered only a cursory explanation of how she arrived at the royalty rates she calculated based on the *Georgia-Pacific* factors. Samsung complains specifically about Ms. Davis's testimony that the evidence of demand from her lost profits analysis was "also relevant to the determination of the amount of reasonable royalties." Appellants' Br. 72.

Samsung does not dispute that Ms. Davis sufficiently explained her analysis of demand in the lost profit context. Samsung is only challenging that she did not repeat the same information with all of the details in testifying about her reasonable royalty calculation. However, Ms. Davis expressly testified that the demand factor for lost profits was also relevant to the determination of a reasonable royalty. J.A. 50651-52 ("Q. Is

this issue of demand relevant to any category of damages other than lost profits? A. Yes. It's relevant to the determination of the amount of reasonable royalties."). A reasonable jury could refer to Ms. Davis's testimony from an earlier context and appropriately weigh the evidence in considering Ms. Davis's calculation on the royalty rates. Moreover, Ms. Davis's testimony included additional substance on the *Georgia-Pacific* factors. For example, Ms. Davis expressly considered the cost to Samsung of being out of the market long enough to design around the patents, the profits attributable to Samsung's use of the patented technology, and the commercial relationship between the parties. Taken as a whole, Ms. Davis's testimony provided sufficient evidence to support the jury's reasonable royalty awards in the damages retrial.

Finally, Samsung complained that Apple's expert in the first damages trial, Mr. Musika, failed to explain his *Georgia-Pacific* analysis and identified no evidence supporting his royalty rates. Upon Apple's response, Samsung acknowledges that Mr. Musika did in fact identify and discuss specific *Georgia-Pacific* factors and that Mr. Musika referred to an exhibit during his testimony. Samsung now contends that the analysis was not meaningful and the cited exhibit did not discuss the *Georgia-Pacific*'s factors at all. Samsung's fault-finding is meritless.

We therefore affirm the district court's denial of Samsung's motion for judgment as a matter of law on the invalidity of claim 50 of the '163 patent and claim 8 of the '915 patent, as well as the damages awarded for utility patent infringement. We also affirm the district court's denial of Samsung's motions for a new trial on these same issues. We remand for immediate entry of final judgment on all damages awards not predicated

on Apple's trade dress claims and for any further proceedings necessitated by our decision to vacate the jury's verdicts on the unregistered and registered trade dress claims.

AFFIRMED-IN-PART, REVERSED-IN-PART, VACATED-IN-PART and REMANDED

COSTS

Each party shall bear its own costs.

APPENDIX B

2012 WL 3071477

UNITED STATES DISTRICT COURT,
N.D. CALIFORNIA,
SAN JOSE DIVISION

Case No. 11–CV–01846–LHK

APPLE, INC., a California corporation,

Plaintiff,

v.

SAMSUNG ELECTRONICS CO., LTD., A Korean corporation; SAMSUNG ELECTRONICS AMERICA, INC., a New York corporation; SAMSUNG TELECOMMUNICATIONS AMERICA, LLC, a Delaware limited liability company,

Defendants.

July 27, 2012

ORDER REGARDING DESIGN PATENT CLAIM CONSTRUCTION

LUCY H. KOH, District Judge.

Samsung has asked the Court to construe Apple's Design Patent No. D618,677 ("the D'677 Patent"), D593,087 ("the D'087 Patent"), D504,889 ("the D'889 Patent"), and D604,305 ("the D'305 Patent") prior to the July 30, 2012 trial. The parties filed opening

briefs on the design patent claim construction on June 12, 2012. Response briefs were filed on June 26, 2012. A hearing was held on July 24, 2012.

The parties' approaches to design patent claim construction can be summarized as follows. Samsung asks the Court to provide a detailed written description of the scope of each of the design patents-in-suit. Samsung's position is that a design patent claim construction is analogous to utility patent claim construction. In contrast, Apple would have the Court provide minimal instructions to the jury, and allow the drawings in the design patents to speak for themselves.

The Court has reviewed the briefs and the relevant case law and concludes that Apple's position is supported by the Federal Circuit's approach to design patents. In contrast, Samsung's position invites the jury to commit error by viewing the designs element-by-element, instead of by the overall visual impression. In Part I, the Court reviews the Federal Circuit precedent regarding design patent claim constructions. In Part II, although the Court declines to follow Samsung's proposal of providing a detailed written claim construction of each patent, the Court provides guidance regarding the scope of each specific design patent-in-suit with respect to the drafting conventions and prosecution histories of each of the design patents. Additionally, the Court defers ruling on any limitations to the scope of the design patent that may arise from functional elements. The Court will provide a supplemental claim construction at the close of evidence addressing any potential functional limitations to the scope of the design patents-in-suit.

I. Design Patent Claim Construction

A patent may be obtained for the ornamental design of an article of manufacture: "Whoever invents any new, original and ornamental design for an article of manufacture may obtain a patent therefor, subject to the conditions and requirements of this title." 35 U.S.C. § 171 (2006). The Federal Circuit, relying on Supreme Court precedent, has established the familiar "ordinary observer" test for design patent infringement. Under the ordinary observer test, an accused device infringes upon a design patent if "'in the eye of an ordinary observer, giving such attention as a purchaser usually gives,'" the design of the accused device and the patented design are "'substantially the same.'" The designs are "'substantially the same, if the resemblance [between the accused device's design and the patented design] is such as to deceive [an ordinary] observer, inducing him to purchase one supposing it to be the other.'" *Egyptian Goddess, Inc. v. Swisa, Inc.*, 543 F.3d 665, 670 (Fed.Cir.2008) (quoting *Gorham Co. v. White*, 14 Wall. 511, 81 U.S. 511, 528, 20 L.Ed. 731 (1871)). In applying the ordinary observer test, the focus should be on "the overall design" of the patent. *See Int'l Seaway Trading Corp. v. Walgreens Corp.*, 589 F.3d 1233, 1239–41 (Fed. Cir.2009).

As an initial matter, the Federal Circuit has noted that a trial court is not to approach a design patent claim construction in the same manner as a utility patent claim construction. *See Egyptian Goddess*, 543 F.3d at 680 ("[A]s a general matter, [trial] courts should not treat the process of claim construction as requiring a detailed verbal description of the claimed design, as would typically be true in the case of utility patents."). Indeed, the Federal Circuit has not "prescribed any particular form that the [design

patent] claim construction must take," but rather has left the design patent claim construction process up to the discretion of the trial court. *Id.* at 679–80.

The Federal Circuit has cautioned against attempts to "construe" design patent claims by providing a detailed verbal description of the claimed design. *Egyptian Goddess,* 543 F.3d at 679. Indeed, the Federal Circuit has approved of a district court's construction of the asserted design patent claim as meaning "a tray of a certain design ... as shown in Figures 1–3," and has reversed an infringement determination based on a written claim construction that impermissibly focused on particular features of the design patent-in-suit. *Contessa Food Prods., Inc. v. Conagra,* 282 F.3d 1377, 1377 (Fed.Cir.2002), *abrogated on other grounds by Egyptian Goddess,* 543 F.3d 665; *Crocs, Inc. v. Int'l Trade Comm'n,* 598 F.3d 1294, 1303–04 (Fed.Cir.2010) (finding that the "Commission placed undue emphasis on particular details of its written description of the patented design" and that "the concentration on small differences in isolation distracted from the overall impression of the claimed ornamental features").

There are sound reasons for this approach. For one, "a design is better represented by an illustration than it could be by any description." *Egyptian Goddess,* 543 F.3d at 679 (citing *Dobson v. Dornan,* 118 U.S. 10, 14, 6 S.Ct. 946, 30 L.Ed. 63 (1886)) (internal quotation marks omitted); *see also 180s, Inc. v. Gordini U.S.A., Inc.,* 699 F.Supp.2d 714, 728–29 (D.Md.2010) (declining to issue a detailed verbal description construing design patent claims because the "illustrative figures speak for themselves"). Additionally, there are risks "entailed in such a [detailed verbal] description, such as the risk of placing undue emphasis on particular features of the design and the risk that a finder of fact

will focus on each individual described feature in the verbal description rather than on the design as a whole." *Egyptian Goddess*, 543 F.3d at 680.

In light of this discussion, this Court is generally persuaded that the ordinary observer test must be applied based upon the overall visual impression of the claimed designs and will avoid a detailed written claim construction describing various elements of the claimed designs. Therefore, the Court declines to adopt the detailed verbal claim constructions offered by Samsung. *See, e.g.*, Samsung's Opening Claim Construction Br. at 8, 12, 15.

Finally, two additional arguments in support of adopting a narrow claim construction for the design patents-in-suit asserted by Samsung are worth addressing. First, Samsung argues that the prior art limits the scope of each of the design patents-in-suit. Second, Samsung argues that Apple's subsequent design patents, issued after the asserted design patents here, also limit the scope of the patents-in-suit.

As to Samsung's first argument, the limitation in scope of a design patent in light of prior art is necessarily folded into the infringement analysis. As explained in *Egyptian Goddess:* "Particularly in close cases, it can be difficult to answer the [infringement] question ... without being given a frame of reference. The context in which the claimed and accused designs are compared, i.e., the background prior art, provides such a frame of reference and is therefore often useful in the process of comparison." 543 F.3d at 676–77. In other words, the infringement analysis necessarily involves a three-way (or multiple-way) comparison between the patent-in-suit, the accused device, and the prior art references. "Where the frame of reference

consists of numerous similar prior art designs, those designs can highlight the distinctions between the claimed design and the accused design as viewed by the ordinary observer." *Id.* at 677. Samsung's argument here is essentially an attempt to encourage the Court to adopt its position on infringement. The Court cannot do this without invading the province of the jury to determine infringement under the "ordinary observer" test. *See id.* ("An ordinary observer, comparing the claimed and accused designs in light of the prior art, will attach importance to differences between the claimed design and the prior art depending on the overall effect of those differences on the design.").

Second, Samsung urges the Court to narrow the scope of the patents-in-suit in light of Apple's subsequent design patent applications. Claim construction is to be viewed "at the time of the invention, i.e., as of the effective filing date of the patent application." *See Phillips v. AWH Corp.*, 415 F.3d 1303, 1313 (Fed. Cir.2005). Samsung has offered no authority, and the Court is not aware of any authority, for limiting the claim scope of a design patent based on subsequent patent applications. Indeed, if anything, the Federal Circuit has cautioned against relying upon evidence in subsequently filed patents in claim construction proceedings. *Cf. Water Tech. Corp. v. Calco*, Ltd., 850 F.2d 660, 667 (Fed.Cir.1988) ("We must construe claims in the light of the claim language, the other claims, the prior art, the prosecution history, and the specification. We see no reason why arguments made by a different attorney prosecuting later patent applications for a different inventor should be used to limit an earlier-issued patent.") (emphasis omitted) (internal quotation marks and citation omitted); *Keystone Retaining Wall Systems Inc. v. Rockwood Retaining Wall Inc.*, No. 00–496, 2001 WL 36102284, at *4–5 (D.Minn. Oct.9,

2001). Accordingly, the Court is not persuaded by Samsung's attempts to limit the scope of the design patents-in-suit by a detailed verbal claim construction that relies on subsequent patent applications or prosecution histories of later filed patents.

II. "Construction" of the Patents–In–Suit

Although detailed verbal claim constructions are disfavored in design patents, the Federal Circuit has explained that the trial court can nonetheless provide useful guidance to the jury regarding the scope of the claimed design:

> Apart from attempting to provide a verbal description of the design, a trial court can usefully guide the finder of fact by addressing a number of other issues that bear on the scope of the claim. Those include such matters as describing the role of particular conventions in design patent drafting, such as the role of broken lines, *see* 37 C.F.R. § 1.152; assessing and describing the effect of any representations that may have been made in the course of the prosecution history, *see Goodyear Tire & Rubber Co. v. Hercules Tire & Rubber Co., Inc.*, 162 F.3d 1113, 1116 (Fed.Cir.1998); and distinguishing between those features of the claimed design that are ornamental and those that are purely functional, *see OddzOn Prods., Inc. v. Just Toys, Inc.*, 122 F.3d 1396, 1405 (Fed.Cir.1997) ("Where a design contains both functional and nonfunctional elements, the scope of the claim must be construed in order to identify the non-functional aspects of the design as shown in the patent.").

Egyptian Goddess, 543 F.3d at 680. Therefore, the Court will consider each of the design patents-in-suit to determine whether additional construction of the scope of the patent is necessary and will be useful to the jury.

A. The D'087 Patent

In design patents, the patentee need not claim an entire article of manufacture. *See In re Zahn*, 617 F.2d 261, 268–69 (C.C.P.A.1980). The patentee may indicate the claimed part of the design with the use of solid lines and may indicate the unclaimed, remaining article of manufacture with the use of broken lines. *Contessa Food Prods.*, 282 F.3d at 1378 ("If features appearing in the figures are not desired to be claimed, the patentee is permitted to show the features in broken lines to exclude those features from the claimed design, and the failure to do so signals inclusion of the features in the claimed design." (citing *Door–Master Corp. v. Yorktowne, Inc.*, 256 F.3d 1308, 1313 (Fed.Cir.2001))); *see also* Manual of Patent Examining Procedure ("MPEP") 1503.02 (2006) ("Unclaimed subject matter may be shown in broken lines for the purpose of illustrating the environment in which the article embodying the design is used.").

The D'087 Patent specifically disclaims the subject matter shown by the use of broken lines. *See* D'087 Patent ("None of the broken lines form a part of the claimed design."). Additionally, the Federal Circuit explained that the D'087 Patent claims a "bezel encircling the front face of the patented design [that] extends from the front of the phone to its sides" and a flat contour of the front face, but does not claim the rest of the article of manufacture. *Apple, Inc. v. Samsung Elecs. Co., Ltd.*, 678 F.3d 1314, 1325 (Fed.Cir.2012). Without an instruction regarding this

claim scope, the jury may mistakenly apply the "ordinary observer" test to the entire article of manufacture disclosed in the patent. Doing so would be error. Accordingly, the jury will be instructed that the use of broken lines in the D'087 Patent shows unclaimed subject matter.

Samsung raises two claim scope issues with respect to the D'087 Patent. First, Samsung argues that the lack of oblique line shading in the D'087 necessarily means that "the front surface of D'087 must be construed as opaque and non-transparent." Samsung Opp'n Br. at 10. Additionally, Samsung argues that the lozenge-shaped feature near the top is not an opening or hole in the surface, but instead a two-dimensional feature on the front surface, because design patent drafting requires that surface shading be used to distinguish between any open and solid areas. Samsung Opening Br. at 9.

The MPEP explains "[w]hile surface shading is not required under 37 CFR 1.152, it may be necessary in particular cases to shade the figures to show clearly the character and contour of all surfaces of any 3–dimensional aspects of the design. Surface shading is also necessary to distinguish between any open and solid areas of the article." MPEP § 1503.2(II). Proper shading "is of particular importance in the showing of three (3) dimensional articles where it is necessary to delineate plane, concave, convex, raised, and/or depressed surfaces of the subject matter, and to distinguish between open and closed areas." *Id.* at ¶ 15.49. "Oblique line shading must be used to show transparent, translucent and highly polished or reflective surfaces, such as a mirror." *Id.* at 1503.02(II).

Samsung claims that MPEP's use of mandatory language ("Oblique line shading *must* be used to show transparent ... surfaces[.]") is dispositive: if the patentee intended to claim a transparent surface as part of the D'087 Patent, it was *required* to use oblique lines to indicate as much. However, as Apple points out, the mandatory language does not necessarily mean that lack of oblique line shading disclaims a transparent, translucent, or reflective surface, nor does the lack of oblique line shading mean that the patentee only claimed an opaque surface. In general, when a patent fails to specify a limitation, the patentee is entitled to the broadest reasonable construction. *See In re Am. Acad. of Sci. Tech. Ctr.*, 367 F.3d 1359, 1363 (Fed.Cir.2004). The language of the MPEP is consistent with this claim construction canon. Indeed, the relevant section of the MPEP only specifies that an inventor wishing to limit a particular surface to a transparent, translucent, or reflective material must indicate the surface through the use of oblique lines. It does not state that *failure* to include oblique lines necessarily excludes the use of a transparent surface. *See Transmatic, Inc. v. Gulton Indus., Inc.*, 601 F.2d 904, 912–13 (6th Cir.1979) (finding that a surface without oblique lines could be transparent, translucent, or opaque). Likewise, the Court is not convinced that the failure to include surface shading on the lozenge-shaped feature on the front face necessarily indicates a surface decoration. Instead, the Court agrees with Apple that "[w]hether open or closed" it will be for the jury to decide whether the accused device's "lozenge-shaped element would appear as it does in the figures." Apple's Response at 7. Therefore, the Court will not include an additional limitation in the claim scope that the patentee has only claimed an opaque surface, or

that the lozenge-shaped element is only a surface decoration.

Accordingly, the Court will provide the jury with the following instruction with respect to the D'087 Patent: "The D'087 Patent claims the ornamental design of an electronic device as shown in Figures 1–46. The broken lines in the D'087 Patent constitute unclaimed subject matter. Thus, the D'087 Patent claims the front face, a 'bezel encircling the front face of the patented design [that] extends from the front of the phone to its sides,' and a flat contour of the front face, but does not claim the rest of the article of manufacture."

B. The D'677 Patent

The D'677 Patent, unlike the D'087 Patent, does not contain a broken line disclaimer disclaiming the subject matter delineated by the use of broken lines. The MPEP requires that unclaimed subject matter be described as forming no part of the claimed design. MPEP 1503.02(III) ("Unclaimed subject matter must be described as forming no part of the claimed design or of a specified embodiment thereof."). Thus, unlike the D'087 Patent, the broken lines in the D'677 Patent may not indicate unclaimed aspects of the article of manufacture. *See Unique Indus., Inc. v. 965207 Alberta Ltd.*, 722 F.Supp.2d 1, 10 n. 2 (D.D.C.2009) (noting that broken lines may be considered part of the claimed design, "if it is not clear that the inventor intended to exclude those portions from the claim").

In this case, however, the broken lines used in the D'677 Patent indicate unclaimed aspects of the design, despite the lack of a broken line disclaimer. Unlike other cases in which a court has found that broken lines indicate something other than an unclaimed aspect of

the design, there is no reasonable alternative interpretation of the broken lines in this patent. *Cf. 180s, Inc.*, 699 F.Supp.2d at 729 (alternative explanation for the broken lines was more plausible); *Bernardo Footwear, L.L. C. v. Fortune Dynamics, Inc.*, No. 07–CV–0963, 2007 WL 4561476, at * 1 (S.D.Tex. Dec. 24, 2007) (interpreting the use of broken lines in a patent). Moreover, the prosecution history of the D'677 Patent establishes that the broken lines were intended to be disclaimed. The patent application contained a broken line disclaimer, which remained through the final amendment. *See* Mazza Decl. Ex. 6 at APLNDC00030455, APLNDC00030641. Thus, it seems likely that the absence of a broken line disclaimer in the D'677 Patent that was issued was inadvertent. Because the prosecution history supports the broken line disclaimer, the public notice function regarding the meaning of the broken lines in the D'677 is served. Thus, the D'677 Patent disclaims all subject matter but the front surface. *See, e.g., In re Zahn*, 617 F.2d at 263 (drill bit drawn in broken lines to show environment for claimed design of the drill shank); *Atlanta Motoring Accessories, Inc., v. Saratoga Techs., Inc.*, 33 F.3d 1362, 1365 (Fed. Cir.1994) (automobile hardtop outlined in broken lines to show environment of rack device); *Goodyear Tire*, 162 F.3d at 1114 (broken lines used to show tire sidewall, which formed no part of the design claimed).

In addition, the D'677 includes solid black surface shading and oblique line shading. The MPEP guidelines will be useful for the jury to understand the meaning of these conventions. The MPEP states that "solid black surface shading ... [is] used to represent the color black" and "[o]blique line shading must be used to show transparent, translucent and highly polished or reflective surfaces." MPEP 1503.02(II). Thus, the use of oblique line shading and solid black surface shading

in the D'677 Patent indicate that the patentee claimed a black surface that is also transparent, translucent, highly polished, or reflective.

Accordingly, the Court will provide the jury with the following instruction with respect to the D'677 Patent: "The D'677 Patent claims the ornamental design of an electronic device as shown in Figures 1–6. The broken lines in the D'677 Patent constitute unclaimed subject matter. The use of "solid black surface shading" on the D'677 Patent represents the color black. The use of oblique line shading on the D'677 Patent is used to show a transparent, translucent and highly polished or reflective surface.

C. The D'889 Patent

The MPEP requires that unclaimed subject matter be described as forming no part of the claimed design. MPEP 1503.02(III) ("Unclaimed subject matter must be described as forming no part of the claimed design or of a specified embodiment thereof."). There is some ambiguity in the D'889 patent regarding the meaning of the broken lines contained in figures 1, 3, and 9. The broken lines in figures 1 and 3 appear to delineate the inset screen below the surface of the glasslike front cover. The broken lines in figure 9 delineate both the inset screen on the electronic device as well as the human figure holding the device. The D'889 Patent explicitly states that the broken lines in figure 9 form no part of the claimed design. The D'889 Patent is silent, however, regarding the use of the broken lines in the other figures. *See* D'889 Patent description.

The prosecution history sheds some light onto the meaning of the broken lines. Initially, the patentee did not include a broken line disclaimer for the broken lines appearing on the front surface of the device

in figures 1, 3, and 9. *See* Mazza Decl. Ex. 7 at APLNDC00032359. Originally, the human figure in figure 9 was depicted in solid lines. The Examiner required the patentee to amend the drawings to depict the human figure in figure 9 in broken lines, and to include a broken line disclaimer establishing that the broken lines in figure 9 form no part of the claimed design. *See* Mazza Decl. Ex. 7 at APLNDC00032434–36. Based on this prosecution history, it appears that the broken lines in figures 1 and 3 of the D'889 Patent are intended to show an inset screen below the glass-like surface, and are part of the claimed design, while the human figure in figure 9 does not form a part of the claimed design. *See also Unique Indus.*, 722 F.Supp.2d at 10 n. (noting that broken lines may be considered part of the claimed design, "if it is not clear that the inventor intended to exclude those portions from the claim"). *Bernardo Footwear*, No. 07–0963, 2007 WL 4561476, at *1 (interpreting the use of broken lines in a patent as part of the claimed design where the drafter failed to explain the significance of the broken lines).

The D'889 Patent also includes oblique line shading in several of the figures. As explained above, the MPEP guidelines state that "[o]blique line shading must be used to show transparent, translucent and highly polished or reflective surfaces." MPEP 1503.02(II). The patentee included oblique line shading in Figures 1–3 and Figure 9. Thus, the use of oblique line shading indicates that the top perspective view of the claimed design, the top view of the claimed design, and the bottom perspective view of the claimed design disclose a transparent, translucent and highly polished or reflective surface. Notably, the bottom view does

not disclose a transparent, translucent and highly polished or reflective surface. [1]

Accordingly, the Court will provide the jury with the following instruction with respect to the D'889 Patent: "The D'889 Patent claims the ornamental design of an electronic device as shown in Figures 1–9. The broken lines depicting the human figure in figure 9 do not form a part of the claimed design. The other broken lines in the other figures are part of the claimed design. The D'889 also includes oblique line shading on several of the figures. The oblique line shading in Figures 1–3 and Figure 9 depicts a transparent, translucent and highly polished or reflective surface from the top perspective view of the claimed design, the top view of the claimed design, and the bottom perspective view of the claimed design."

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[1] At the design patent claim construction hearing, Apple argued that the oblique line shading in figure 2 represents something other than a transparent, translucent, or highly polished surface. However, it is unclear from the drafting rules, the case law, or the prosecution history why the Court should adopt a different construction for the oblique line shading in figure 2 than the oblique line shading used in figures 1, 3 and 9. Unlike the aberrational dotted lines in the D'677 Patent and the D'889 Patent, where Apple has been able to point to prosecution history to clarify the meaning of the drafting choices, Apple has not pointed to comparable evidence, other than speculation, to support an alternative meaning to the oblique line shading used in figure 2 of the D'889 Patent. Indeed, the shading in figure 2 looks very similar to the shading used in figures 1 and 3 to depict a transparent, translucent, or reflective surface.

D. The D'305 Patent

1. Drafting Conventions

The MPEP requires that unclaimed subject matter be described as forming no part of the claimed design. MPEP 1503.02(III) ("Unclaimed subject matter must be described as forming no part of the claimed design or of a specified embodiment thereof."). The D'305 Patent states that: "The broken line showing of a display screen in both views forms no part of the claimed design." Accordingly, broken line disclaimer will be included in the Court's claim construction.

2. Prosecution History

Samsung also argues that the prosecution history of the D627,790 ("D'790 Patent") limits the scope of the D'305 Patent. The D'305 Patent was filed on June 23, 2007, and issued on November 17, 2009. The D'790 Patent was filed on August 20, 2007, and issued on November 23, 2010, and is a continuation-in-part of United States Patent No. D608,366, which itself is a continuation-in-part of the D'305 patent. Both the D'305 and the D'790 patents are entitled "Graphical user interface for a display screen or portion thereof."

During the prosecution of the D'790 patent, Apple distinguished the claimed design from a prior art reference (Wada) by stating:

> Figure 4 of Wada discloses a matrix of 17 squares provided in 4 columns. The first column has 5 squares, the second, third and fourth columns have 4 squares. In contrast, Applicant's design is a matrix of 16 squares, each with rounded corners, provided in 4 columns. Each column has 4 rounded squares. The first three rows of rounded

> squares in each column are equally spaced apart. The third and fourth rows of rounded squares in each column is separated by a space equal to about one rounded square, giving the impression of a "missing row" of rounded squares. Thus, the appearance of the claimed design in [sic] quite different from the cited reference.

Cashman Decl. Ex. 62, at APLPROS0000012230.

Samsung argues that the D'305 Patent, like the D'790 Patent, also discloses sixteen rounded squares giving the appearance of a missing row. According to Samsung, the statements made in the prosecution history of the D'790 Patent necessarily limit the scope of the D'305 Patent. Specifically, Samsung proposes that the D'305 patent be construed as having, inter alia, "four rows of four icons each, with an empty row between the third row and the dock row as shown in the figures."

In *Egyptian Goddess,* the Federal Circuit explained that a district court may guide the fact finder by addressing certain issues that bear on the scope of a design patent claim, including, inter alia, "the effect of any representations that may have been made during the prosecution history." 543 F.3d at 680 (citing *Goodyear Tire,* 162 F.3d at 1116). *Egyptian Goddess*'s description of the use of prosecution history in determining the scope of a design patent is consistent with the claim construction process for utility patents, which allows for statements made during prosecution to be considered as intrinsic evidence. *See, e.g. Vitronics Corp. v. Conceptronic, Inc.*, 90 F.3d 1576, 1582 (Fed.Cir.1996).

In general, the prosecution history considered during utility patent claim construction is that of the patent in issue, although the Federal Circuit has carved out a few exceptions to this rule. *See Water Tech. Corp.*, 850 F.2d 660; *Elkay Mfg. Co. v. Ebco Mfg. Co.*, 192 F.3d 973, 979–80 (Fed.Cir.1999); *Jonsson v. Stanley Works*, 903 F.2d 812, 818 (Fed.Cir.1990). In particular, the Federal Circuit has held that "[w]hen multiple patents derive from the same initial application, the prosecution history regarding a claim limitation in any patent that has issued applies with equal force to subsequently issued patents that contain the same claim limitation." *Elkay*, 192 F.3d at 980; *see also Jonsson*, 903 F.2d at 818–19. The Federal Circuit has since extended this logic to allow for the use of statements made during the prosecution of related, subsequently issued patents, provided the claim element at issue is the same in both patents. *Compare Goldberg v. Cytogen*, Inc., 373 F.3d 1158, 1167–68 (Fed.Cir.2004) (barring the use of a continuation-in-part patent to interpret a parent patent because the material cited in the subsequently issued patent dealt with new matter), *with Microsoft Corp. v. Multi–Tech Systems, Inc.*, 357 F.3d 1340, 1350 (Fed.Cir.2004) (interpreting a patent's claim terms based on statements made after that patent issued during the prosecution of a subsequently-issued sibling patent containing the same term), *and CVI/Beta Ventures, Inc. v. Tura LP*, 112 F.3d 1146 (Fed.Cir.1997) (construing a claim term in one patentat-issue based on representations made during the prosecution of a subsequently issued, but related, patent-at-issue that contained the same term).

The Court does not import the statements made in the prosecution history of the later filed D'790 Patent to limit the claim scope of the D'305 Patent. The

exceptions to the rule against consulting the prosecution history of non-asserted patents-in-suit described above have only been applied to utility patents where it is clear that the disputed claim term has the same meaning in both patents at issue. This requirement is well suited to an analysis of the specific, enumerated, written limitations of utility patents because it may be clear when the same claim term is at issue in both related patents. These rules are not necessarily applicable to design patents because there is no clear analog to the same claim term appearing in both related patents.

While a utility patent is analyzed claim term by claim term, a design patent is analyzed based on the design as a whole. *See Egyptian Goddess*, 543 F.3d at 680. Although the same feature may appear in two design patents, the design patents may not have the same overall visual impression. It would be improper to isolate a disclaimer based on a single feature of a design patent and apply it to limit the scope of a related design patent. This is because it is often not possible to determine whether the importance of the design element in the overall visual impression is the same in two related patents. The Court therefore rejects Samsung's construction of the D'305 patent and agrees with Apple that no additional verbal description of the D'305 should apply.

Accordingly, the Court will provide the jury with the following instruction with respect to the D'305 Patent: "The D'305 Patent claims the ornamental design for a graphical user interface for a display screen or portion thereof, as shown in Figures 1–2. The broken line showing of a display screen in both views forms no part of the claimed design."

IT IS SO ORDERED.

APPENDIX C

920 F.Supp.2d 1079

UNITED STATES DISTRICT COURT,
N.D. CALIFORNIA,
SAN JOSE DIVISION

Case No. 11–CV–01846–LHK

APPLE, INC., a California Corporation,

Plaintiff,

v.

SAMSUNG ELECTRONICS CO., LTD., A Korean corporation; SAMSUNG ELECTRONICS AMERICA, INC., a New York corporation; SAMSUNG TELECOMMUNICATIONS AMERICA, LLC, a Delaware limited liability company,

Defendants.

Jan. 29, 2013

Attorneys and Law Firms

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ORDER GRANTING IN PART AND DENYING IN PART MOTION FOR JUDGMENT AS A MATTER OF LAW

LUCY H. KOH, District Judge.

On August 24, 2012, after a thirteen day trial and approximately three full days of deliberation, a jury in this patent case reached a verdict. *See* ECF No. 1931. Samsung now seeks judgment as a matter of law to overturn certain of the jury's findings. In the alternative, Samsung moves for a new trial. *See* Samsung's Motion for Judgment as a Matter of Law, New Trial And/Or Remittitur Pursuant to Federal Rules of Civil Procedure 50 and 59 ("Mot."), ECF No. 2013. Apple filed an opposition ("Opp'n"), ECF No. 2050, and Samsung filed a Reply ("Reply"), ECF No. 2131. For the reasons discussed below, the Court GRANTS Samsung's motion for judgment as a matter of law that claims 15 and 16 of Samsung's U.S. Patent No. 7,447,516 ("the '516 Patent") are not exhausted. The Court also GRANTS judgment as a matter of law that Samsung's acts of patent infringement were not willful. However, for the reasons discussed below, the Court DENIES Samsung's motion for judgment as a

matter of law in all other respects, and DENIES Samsung's motion for a new trial.[1]

I. LEGAL STANDARD

Federal Rule of Civil Procedure 50 permits a district court to grant judgment as a matter of law "when the evidence permits only one reasonable conclusion and the conclusion is contrary to that reached by the jury." *Ostad v. Oregon Health Scis. Univ.*, 327 F.3d 876, 881 (9th Cir.2003). A party seeking judgment as a matter of law after a jury verdict must show that the verdict is not supported by "substantial evidence," meaning "relevant evidence that a reasonable mind would accept as adequate to support a conclusion." *Callicrate v. Wadsworth Mfg.*, 427 F.3d 1361, 1366 (Fed.Cir. 2005) (citing *Gillette v. Delmore*, 979 F.2d 1342, 1346 (9th Cir.1992)).

A new trial is appropriate under Rule 59 "only if the jury verdict is contrary to the clear weight of the evidence." *DSPT Int'l, Inc. v. Nahum*, 624 F.3d 1213, 1218 (9th Cir.2010). A court should grant a new trial where necessary "to prevent a miscarriage of justice." *Molski v. M.J. Cable, Inc.*, 481 F.3d 724, 729 (9th Cir.2007).

II. ANALYSIS

A. The Jury Reasonably Found Apple's Design Patents to be Valid and Infringed

1. Infringement

Samsung moves for judgment as a matter of law that Samsung's accused devices do not infringe U.S.

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[1] Samsung has also moved for remittitur or a new trial on damages. These claims will be addressed in a separate order.

Patent No. D593,087 ("the D'087 Patent"), U.S. Patent No. D618,677 ("the D'677 Patent"), and U.S. Patent No. D604,305 ("the D'305 Patent"). *See* Mot. at 4–7. In the alternative, Samsung moves for a new trial on infringement of Apple's design patents. *Id.*

Samsung argues that there is no evidence to support the jury's findings of design patent infringement. Samsung cites evidence that would have supported a jury finding of non-infringement. Specifically, Samsung points to evidence of similarities between Apple's design patents and the prior art that might limit the scope of the design patents, thus rendering Samsung's designs outside of the scope of Apple's patents. *See* Mot. at 5–7. However, other evidence in the record supports the jury's finding of infringement. Specifically, the jury was presented with the design patents, accused devices, and prior art, and was appropriately instructed on the "substantially the same" standard for infringement and the role of prior art in analyzing design patent infringement. *See* Final Jury Instruction No. 46. Furthermore, the jury heard expert testimony supporting the conclusion that Samsung devices infringed Apple's design patents. *See* Tr. 1049:6–1064:11 (Apple design expert Peter Bressler's testimony on substantial similarity between Samsung's accused phones and the D'087 and D'677 Patents); Tr. 1371:18–1381:23 (Apple design expert Dr. Susan Kare's testimony on substantial similarity between Samsung's accused phones and the D'305 Patent). The phones themselves, along with the expert testimony, constitute substantial evidence in the record to support the jury's finding of infringement. Given this evidence, the jury's conclusion of infringement was not against the clear weight of the evidence.

Samsung also argues that the Court inappropriately failed to instruct the jury to factor out functional design elements. As a preliminary matter, Samsung raised this objection during the briefing on the final jury instructions, and therefore this argument is not waived. *See* Reply at 6, n.7. However, a "filtering" instruction of the type Samsung requested is not required. The Federal Circuit has explained that a court may aid a jury in determining design patent infringement by construing the claims, *see Egyptian Goddess, Inc. v. Swisa, Inc.*, 543 F.3d 665, 679–80 (Fed.Cir.2008) (en banc), and that claim construction may, but need not, include listing functional elements that should be factored out of the claimed design. *See Richardson v. Stanley Works, Inc.*, 597 F.3d 1288, 1293–94 (Fed.Cir.2010) (construing a design patent by factoring out functional elements in the context of a bench trial). However, claim construction is a matter of law for the Court. The cases do not suggest that this type of claim construction is appropriate when instructing a jury. The cases engaging in such explicit filtering analysis generally do so in contexts in which a court then rules directly on infringement, such as summary judgment or a bench trial. *See, e.g., Richardson,* 597 F.3d 1288 (bench trial). Indeed, *Egyptian Goddess* warns of the risks of providing an element-by-element construction to a jury, as such instruction could divert the jury's attention from "the design as a whole." *Id.; see also* 543 F.3d at 680. Moreover, the Court determined in considering Samsung's request for a jury instruction that Samsung had not shown that the allegedly functional design elements were actually functional under the Federal Circuit's "dictated by function" standard, particularly in light of Apple's evidence that alternative designs existed. *See Richardson,* 597 F.3d at 1294 (applying the "dictated

by function" standard during design patent claim construction). *See also* PX163–168 (alternative designs created by Apple); PX10, PX148, PX150, PX2277, PX2278 (alternative designs created by third parties).

In sum, the Court appropriately instructed the jury, and there is substantial evidence in the record to support the jury's ultimate finding of infringement of the D'087, D'677, and D'305 Patents. Moreover, the jury's verdict was not against the clear weight of the evidence. Accordingly, the Court DENIES Samsung's motion for judgment as a matter of law that none of Samsung's accused phones infringe Apple's design patents, and DENIES Samsung's motion in the alternative for a new trial.

2. Invalidity

Samsung also moves for judgment as a matter of law that Apple's D'087, D'677, and D'305, Patents, as well as U.S. Patent No. D504,889 ("the D'889 Patent") are invalid, or in the alternative for a new trial. *See* Mot. at 7–8. Samsung argues that no reasonable jury could have found Apple's design patents valid.

a. *Functionality*

First, Samsung argues that the patents are invalid because the patented designs are functional. It was Samsung's burden at trial to establish invalidity by clear and convincing evidence. Samsung points to expert testimony identifying some allegedly functional elements of the designs. However, invalidity requires not just some functional elements, but that the overall design is "primarily functional." *See PHG Techs. v. St. John Companies, Inc.*, 469 F.3d 1361, 1366 (Fed.Cir. 2006). A design is primarily functional if "the appearance of the claimed design is 'dictated by' the use or

purpose of the article." *Id.* (quoting *L.A. Gear, Inc. v. Thom McAn Shoe Co.*, 988 F.2d 1117, 1123 (Fed. Cir.1993)). Expert testimony of the type Samsung identifies, stating that individual design elements confer specific functional benefits (e.g., that round corners "help you move things in and out of your pocket," Tr. 680:9–15), does not constitute clear and convincing evidence that the overall patented designs are dictated by function. Samsung has not identified any other evidence of functionality directed at the designs as a whole. Accordingly, the Court cannot say that the jury's finding that Samsung had not met its burden to establish functionality was unsupported by substantial evidence, or was against the clear weight of the evidence. Samsung's motion for judgment as a matter of law or a new trial on the question of design patent functionality is DENIED.

b. *D'677 and D'087 Obviousness*

Second, Samsung argues that the D'677 and D'087 Patents are invalid for obviousness.[2] "Because obviousness is a mixed question of law and fact, we first presume that the jury resolved the underlying factual disputes in favor of the verdict and leave those presumed findings undisturbed if they are supported by substantial evidence." *Kinetic Concepts*, 688 F.3d at 1357. The factual inquiries underlying the obviousness inquiry are: (1) the scope and content of the prior

[2] Samsung appropriately addressed obviousness as a legal conclusion in the context of its motion on non jury claims. However, the Court addresses obviousness in this Order, along with other invalidity arguments, because obviousness turns on the jury's implied findings of fact in support of non-obviousness, which the Court evaluates under the "substantial evidence in the record" standard. *See Kinetic Concepts, Inc. v. Smith & Nephew, Inc.*, 688 F.3d 1342, 1357 (Fed.Cir.2012).

art; (2) the differences between the prior art and the claims at issue; (3) the level of ordinary skill in the art; and (4) any relevant secondary considerations, such as commercial success, long felt but unsolved needs, and the failure of others. *KSR Int'l Co. v. Teleflex, Inc.*, 550 U.S. 398, 406, 127 S.Ct. 1727, 167 L.Ed.2d 705 (2007) (citing *Graham v. John Deere Co.*, 383 U.S. 1, 17–18, 86 S.Ct. 684, 15 L.Ed.2d 545 (1966)); *Aventis Pharma S.A. v. Hospira, Inc.*, 675 F.3d 1324, 1332 (Fed. Cir.2012). "Then we examine the ultimate legal conclusion of obviousness de novo to see whether it is correct in light of the presumed jury fact findings." *Kinetic Concepts*, 688 F.3d at 1357. The jury found the D'688 and D'087 Patents valid. Thus, the Court will first examine whether substantial evidence supported the jury's underlying factual conclusions that there was a significant gap between the prior art and the patents, and that there were persuasive secondary indicia of non-obviousness.

In addressing a claim of obviousness in a design patent, "the ultimate inquiry ... is whether the claimed design would have been obvious to a designer of ordinary skill who designs articles of the type involved." *Titan Tire Corp. v. Case New Holland, Inc.*, 566 F.3d 1372, 1375 (Fed.Cir.2009) (quoting *Durling v. Spectrum Furniture Co., Inc.*, 101 F.3d 100, 103 (Fed.Cir.1996)). "To determine whether 'one of ordinary skill would have combined teachings of the prior art to create the same overall visual appearance as the claimed design,' the finder of fact must employ a two-step process." *Apple, Inc. v. Samsung Electronics Co., Ltd.*, 678 F.3d 1314, 1329 (Fed.Cir.2012) (quoting *Titan Tire*, 566 F.3d at 1381). "First, 'one must find a single reference, a something in existence, the design characteristics of which are basically the same as the claimed design.'" *Id.* at 1329 (quoting *Durling*, 101

F.3d at 103). "Second, 'other references may be used to modify [the primary reference] to create a design that has the same overall visual appearance as the claimed design.'" *Id.* "However, the 'secondary references may only be used to modify the primary reference if they are so related to the primary reference that the appearance of certain ornamental features in one would suggest the application of those features to the other.'" *Id.* at 1329–30 (quoting *Durling*, 101 F.3d at 103).

To support Samsung's claim that the D'677 and D'087 Patents are obvious, Samsung cites expert Itay Sherman's testimony that these patents are obvious over two Japanese patents, a Korean patent (K'547), and the LG Prada, individually or in combination. Mr. Sherman's expert testimony consisted of identification of similarities between the prior art and the D'677 and D'087 Patents, followed by a bare assertion that a designer of ordinary skill would have found it obvious to combine the identified prior art to create the D'677 and D'087 Patents. *See, e.g.*, Tr. 2595:7–22 (Sherman testimony that it would have been obvious to combine the two Japanese patents to create the D'087 Patent). However, Mr. Sherman acknowledged that some differences between the prior art and the D'677 and D'087 exist. For example, Mr. Sherman admitted that one of the Japanese patents, JP'638, has a curved front face rather than a flat front face. *See* Tr. 2582:5–7. Other differences are apparent from the evidence, although Mr. Sherman did not specifically acknowledge them in his testimony. For example, the Korean patent K'547 discloses a screen that is much smaller in comparison to the overall front face than the screen in the D'677 and D'087 Patents, particularly in the shorter dimension. *See* DX727.002 (K'547 disclosure of the front face). Thus, there was substantial evidence

in the record to support the jury's implicit factual finding that there existed a significant gap between any primary reference in the prior art and the D'677 and D'087 Patents. As Samsung bears the burden on this issue, the Court cannot say that the jury's implied finding that these gaps were significant was not supported by the record.

Furthermore, Apple cites substantial evidence in the record of objective indicia of non-obviousness, including design awards, other accolades, and alleged copying by Samsung. *See* Opp'n at 7 (citing Tr. 508:4–509:4 (testimony on design awards); PX135.1 ("iPhone is pretty" was top reason for invention of the year award); PX44.122, .PX44.127, and .PX44.131 (evidence of Samsung copying)). Pursuant to *Kinetic Concepts*, the Court understands that in reaching the ultimate legal conclusion of non-obviousness, the jury made implied findings of fact accepting this evidence of secondary indicia of non-obviousness. The Court finds that the jury's implied finding that secondary indicia support non-obviousness is supported by substantial evidence in the record.

In light of these factual findings, the Court must now consider whether, as a matter of law, it would have been obvious to a designer of ordinary skill in the art to bridge the significant gap the jury implicitly found. The Court notes that Mr. Sherman did not identify the required primary and secondary reference. *See* Tr. 2580:5–2586:7; 2588:4–2589:22 (Mr. Sherman's testimony about prior art). Nor did he attempt to explain why it would have been obvious for a designer of ordinary skill to take whichever of these prior art designs might have been a primary reference and combine it with the relevant element of a secondary reference or otherwise modify it to arrive at the

patented designs. Instead, Samsung offers only the bare *ipse dixit* of Mr. Sherman, who is not himself an industrial designer, that it would have been obvious for an ordinary designer to bridge the gaps between various pieces of prior art and the patents. This testimony does not satisfy the Federal Circuit's articulated requirements for obviousness in design patents. *See Apple,* 678 F.3d at 1329–20. Samsung did not present any other testimony on obviousness for these two design patents. Thus, the Court finds no persuasive evidence of obviousness in the record.

In sum, the jury's implied factual findings of a significant gap and indicia of non-obviousness are supported by substantial evidence in the record. In light of the gaps between the prior art and the D'677 and D'087 Patents, the secondary indicia of non-obviousness, and the lack of evidence about a secondary reference or how the identified gap might be bridged, the Court finds that the D'677 and D'087 are not invalid for obviousness.

c. *D'889 Obviousness*

Third, Samsung moves for judgment as a matter of law that the D'889 Patent is obvious over two prior art references: the Fidler tablet and TC1000 tablet. The Federal Circuit previously ruled that "the Fidler reference, with or without the TC1000, cannot serve to render the D'889 patent invalid for obviousness" because its similarity to the claimed design is at "too high a level of abstraction." *Apple,* 678 F.3d at 1332. Thus, the Federal Circuit ruled that neither the Fidler tablet nor the TC1000 tablet was an appropriate primary reference. *See id.* Although the Federal Circuit's ruling at the preliminary injunction stage does not necessarily preclude a finding of obviousness in light of additional evidence presented at trial, the jury

agreed with the Federal Circuit and concluded that the D'889 Patent was not obvious. This Court now considers whether the factual record could support the jury's conclusion.

In reaching its finding that the D'889 Patent was valid, the jury made implicit findings of fact about the scope of the prior art. In particular, there was significant evidence before the jury that these two prior art references and the D'889 patent differ in several respects, including the Fidler tablet's curved front face, and the Fidler tablet's inclusion of a screen frame that is asymmetric and not flush with the screen. The TC1000 is more different still. *Kinetic Concepts* requires this Court to credit the jury's implicit finding that these gaps are significant. In light of these implicit findings of fact, supported by the record and in accord with the Federal Circuit's reasoning in *Apple*, 678 F.3d 1314, neither the Fidler tablet, nor the still more divergent TC1000, can serve as a primary reference for obviousness. Accordingly, the Court finds that as a matter of law, the Fidler tablet and the TC1000 do not render the D'889 Patent obvious, and the Court DENIES Samsung's corresponding motion for judgment as a matter of law or a new trial.

d. *D'677 Double Patenting*

Fourth, Samsung argues that the D'677 Patent is invalid for double-patenting over the D'087 Patent. 35 U.S.C. § 101 states that an inventor may obtain "a patent" for an invention. Accordingly, the statute "permits only one patent to be obtained for a single invention." *Boehringer Ingelheim Intern. GmbH v. Barr Labs., Inc.*, 592 F.3d 1340, 1346 (Fed.Cir.2010) (quoting *In re Lonardo*, 119 F.3d 960, 965 (Fed. Cir.1997)). However, § 101 "only prohibits a second

patent on subject matter identical to an earlier patent." *Geneva Pharms., Inc. v. GlaxoSmithKline PLC*, 349 F.3d 1373, 1377 (Fed.Cir.2003). Accordingly, courts developed the doctrine of obviousness-type double patenting to "prevent the extension of the term of a patent ... by prohibiting the issuance of the claims in a second patent not patentably distinct from the claims of the first patent." *Boehringer Ingelheim*, 592 F.3d at 1346 (quoting *In re Longi*, 759 F.2d 887, 892 (Fed.Cir.1985)).

The Federal Circuit has explained that "a patentee may [assure the validity of a patent by filing] a disclaimer after issuance of the challenged patent or during litigation, [and] even after a finding that the challenged patent is invalid for obviousness-type double patenting." *See Boehringer Ingelheim*, 592 F.3d at 1347 (citing *Perricone v. Medicis Pharmaceutical Corp.*, 432 F.3d 1368, 1375 (2005)). Apple has now filed a terminal disclaimer with the P.T.O., limiting the term of the D'677 Patent to the duration of the earlier-expiring D'087 Patent. *See* ECF No. 2162. Accordingly, under *Boehringer*, Apple has assured the validity of the D'677 Patent as against Samsung's claim of double patenting over the D'087 Patent. For this reason, Samsung's motion for judgment as a matter of law that the D'677 Patent is invalid on the basis of double patenting is DENIED.

B. Apple's Registered iPhone Trade Dress and Unregistered iPhone 3G Trade Dress are Protectable and Diluted

Samsung moves for judgment as a matter of law that Apple's registered iPhone Trade Dress and unregistered iPhone 3G Trade Dress are not protectable and

not diluted. *See* Mot. at 8–12. In the alternative, Samsung moves for a new trial on trade dress. *Id.*

1. Functionality

Samsung argues that Apple's registered iPhone Trade Dress and unregistered iPhone 3G Trade Dress are not protectable because they are functional. As a preliminary matter, Apple's registered iPhone Trade Dress is presumed valid, and therefore non-functional, while Apple's unregistered iPhone 3G Trade Dress is presumed functional. *See* 15 U.S.C.A. § 1125; Final Jury Instruction No. 62.

There are two types of functionality: utilitarian functionality and aesthetic functionality. *See TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 33, 121 S.Ct. 1255, 149 L.Ed.2d 164 (2001). A finding of either type of functionality would defeat protectability. Under the traditional, utilitarian functionality test, a trade dress is functional "when it is essential to the use or purpose of the device or when it affects the cost or quality of the device." *Id.* In applying this test, the Ninth Circuit assesses four factors: "(1) whether advertising touts the utilitarian advantages of the design, (2) whether the particular design results from a comparatively simple or inexpensive method of manufacture, (3) whether the design yields a utilitarian advantage and (4) whether alternative designs are available." *Talking Rain Beverage Co. v. South Beach Beverage Co.*, 349 F.3d 601, 603 (9th Cir.2003) (citing *Disc Golf Ass'n, Inc. v. Champion Discs, Inc.*, 158 F.3d 1002, 1006 (9th Cir.1998)); *see also Au–Tomotive Gold, Inc. v. Volkswagen of America*, 457 F.3d 1062, 1072 n.8 (9th Cir.2006) (acknowledging the four factor test applied by the Ninth Circuit).

Samsung argues that the record lacks substantial evidence to support the jury's findings that: (1) Apple had established nonfunctionality for its unregistered iPhone 3G trade dress; and (2) that Samsung had not proven functionality for Apple's registered iPhone trade dress.[3] Apple cites evidence disputing utilitarian functionality under all four *Disc Golf* factors. As to the first factor, "whether advertising touts the utilitarian advantages of the design," Apple cites Apple executive Phil Schiller's testimony that Apple's advertising used a "product as hero" pitch that does not tout design utility. *See* Opp'n. at 8 (citing Tr. 654:24–655:1). As to the second factor, "whether design results from a comparatively simple or inexpensive method of manufacture," Apple cites the testimony of Apple design executive Christopher Stringer that Apple encountered difficulties in manufacturing iPhones, suggesting that the designs were *not* especially simple to manufacture. *See* Mot. at 8 (citing Tr. 494:15–495:21). As to the third factor, whether the design yields utilitarian advantage, Apple cites Mr. Stringer's testimony that the iPhone design was selected from among alternative designs because "[i]t was the most beautiful" rather than for some functional purpose. *See* Opp'n. at 8 (citing Tr. 493:14–15). As to the fourth factor, Apple cites actual alternative phone body designs (*see* Opp'n. at 8 (citing PX10)), and the testimony of Apple's expert Susan Kare on alternative phone screen designs. *See* Opp'n. at 8 (citing Tr. 1400:6–1401:1). This body of evidence is sufficient to support a jury's finding that Apple had proven

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[3] As the designs in the iPhone and iPhone 3G trade dress are similar and apply to different versions of the same product, the iPhone, the parties rely on the same evidence in analyzing the functionality of both trade dresses. The Court will do the same.

utilitarian nonfunctionality for its unregistered iPhone 3G trade dress and that Samsung had not proven utilitarian functionality for Apple's registered iPhone trade dress.

Furthermore, there is substantial evidence to support the jury's finding of protectability because the asserted iPhone Trade Dresses lack "aesthetic functionality." *See Au-Tomotive Gold*, 457 F.3d at 1072. A trade dress has aesthetic functionality only if limiting competitors' use of the trade dress would impose a "significant non-reputation-related competitive disadvantage." *See id.* (citing *TrafFix*, 532 U.S. at 33, 121 S.Ct. 1255). The Supreme Court in *TrafFix* explained that such significant disadvantage arises where there is a "competitive necessity" to infringe or dilute. 532 U.S. at 32–33, 121 S.Ct. 1255.

Samsung argues that Apple admitted aesthetic functionality when Apple witnesses testified that the beauty of the iPhone is a factor in its success. *See* Mot. at 9 (citing testimony of Apple design executive Mr. Stringer, Tr. 484:1–11; Apple executive Mr. Schiller, Tr. 602:8–19; 625:4–626:4; 635:24–636:5; and 721:3–7). However, Samsung elsewhere identifies evidence that few consumers are primarily motivated by design considerations such as aesthetics. *See, e.g.*, Mot. at 19 (citing DX592.023; PX69.43 (surveys showing that only between 1% and 5% of purchasers are motivated by phone design and appearance)). Samsung cannot credibly argue that consumers are not motivated by aesthetics in hoping to avoid an injunction or damages award, and simultaneously argue that aesthetics are a significant motivator in hopes of invalidating Apple's trade dress. Although, as Samsung points out, the evidence in the record shows that some fraction of consumers may be motivated in some part

by smartphone design and aesthetics, on balance, the evidence introduced by both Apple and Samsung concerning the limited role of aesthetics in purchasing decisions is sufficient to support the jury's implicit finding that Samsung did not need to infringe Apple's trade dress in order to compete with the iPhone, as would be required for a finding of aesthetic functionality. *See TrafFix*, 532 U.S. at 32–33, 121 S.Ct. 1255.

Accordingly, the Court finds that there is substantial evidence in the record to support the jury's findings that: (1) Apple rebutted the presumption that the unregistered iPhone 3G Trade Dress is functional, and (2) Samsung failed to rebut the presumption that the registered iPhone Trade Dress is non-functional. Samsung's motion for a new trial or judgment as a matter of law that Apple's trade dresses are invalid for functionality is DENIED.

2. Secondary Meaning and Fame

To be protectable, a trade dress must have secondary meaning such that the purchasing public associates the trade dress with a particular source. *See Clamp Mfg. Co., Inc. v. Enco Mfg. Co., Inc.*, 870 F.2d 512, 517 (9th Cir.1989) (citing *Fuddruckers, Inc. v. Doc's B.R. Others, Inc.*, 826 F.2d 837, 843 (9th Cir.1987)). Further, a trade dress cannot be diluted unless it is famous such that it is "truly prominent and renowned" among the general public. *Avery Dennison Corp. v. Sumpton*, 189 F.3d 868, 875 (9th Cir.1999). Apple bears the burden of showing dilution for both registered and unregistered trade dress. *See* 15 U.S.C. § 1125; Final Jury Instruction No. 65.

Although secondary meaning and fame are different issues, here they rise and fall on largely the same evidence. Samsung argues that Apple has failed to

show that its registered iPhone Trade Dress and unregistered iPhone 3G Trade Dress have acquired secondary meaning and are famous. Apple has introduced: (1) survey expert testimony (Tr. 1578:24–1585:5 (Dr. Hal Poret's testimony that his surveys showed consumers associated iPhones with Apple)); Tr. 1695:17–1695:22 (Apple expert Dr. Kent Van Liere, same); (2) iPhone advertisements from 2007 through 2010, including iPhone 3G advertisements from 2008 (PX11, 12, 127); (3) television show clips from 2007 through 2010 (PX14); (4) media reviews of the original iPhone from 2007 (PX133, 135); (5) advertising expenditures (PX16 ("Advertising Expenditures (U.S.)"); Tr. 653:24–654:1 (Mr. Schiller testimony estimating $120–130 in advertising expenses between October 2009 and June 2010)); and (6) fact witness testimony (Tr. 639:8–640:3 (Mr. Schiller's testimony on product as hero advertising)). This significant pool of evidence represents substantial evidence in the record from which the jury could infer both secondary meaning and fame. Accordingly, Samsung's motion for judgment as a matter of law or a new trial on grounds that Apple's trade dress was not protectable or famous is DENIED.

3. Other Elements of Dilution

Trademark dilution is caused by the use in commerce of a mark that "impairs the distinctiveness" or "harms the reputation" of a famous mark. 15 U.S.C. § 1125(c). "Dilution refers to the whittling away of the value of a trademark when it's used to identify different products." *Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894, 903 (9th Cir.2002) (citation and quotation marks omitted). While many dilution claims refer to trade names, the dilution statute explicitly applies dilution protection to trade dress. *See* 15

U.S.C. § 1125(c)(4). To establish a claim of trade dress dilution, in addition to proving fame, a plaintiff must show that (1) the defendant is "making use of the [trade dress] in commerce," (2) the defendant's "use began after the [trade dress] became famous," and (3) the defendant's use of the trade dress is "*likely* to cause dilution by blurring" or by "tarnishment." *See Jada Toys, Inc. v. Mattel, Inc.*, 518 F.3d 628, 634 (9th Cir.2008) (emphasis added).

Samsung does not dispute that substantial evidence supported a finding that Samsung used the asserted Apple trade dresses "in commerce." Instead, Samsung argues that Samsung is entitled to judgment as a matter of law or a new trial on dilution because the evidence did not show that the asserted trade dresses had become famous prior to Samsung's first sale of the accused diluting phones in July 2010. *See* Mot. at 10–11. However, Apple's substantial advertising and press coverage prior to release of Samsung's phones (PX11; PX12; PX16; PX127; PX133; PX135; Tr. 639:8–640:3; Tr. 653:24–655:1), taken together with Apple's later-collected survey evidence (Tr. 1578:24–1585:5; Tr. 1695:17–22), provides substantial evidentiary support for the jury's finding that Apple's trade dresses were famous before Samsung's first sale of an accused diluting phone in July, 2010.

Samsung also argues that Apple has not provided evidence of likely dilution, and that Samsung's evidence of 25 third-party iPhone-like smartphones in the market "undermines any finding of likely dilution" by Samsung's accused devices. *See* Mot. at 11. However, Apple presented significant evidence that dilution by blurring was likely, including: (1) actual accused Samsung products that allegedly have iPhone-like appearances; (2) press reports discussing the similar

appearances of the iPhone and the accused products (PX6); (3) testimony by Apple expert Dr. Winer that Samsung's phones dilute Apple's trade dresses by blurring (Tr. 1521:14–24); (4) evidence of copying by Samsung (Tr. 1506:16–1507:2 (Dr. Winer testimony on Samsung copying)); PX36.20 (Samsung believed the iPhone was "a revolution"); PX44 (Samsung's "Relative Evaluation Report on S1, iPhone"); and (5) testimony of Apple's expert Dr. Van Liere that 37–38% of consumers associated Apple and Samsung smartphones. Tr. 1691:13–1696:2. This collection of evidence constitutes substantial evidence in the record to support the jury's finding of dilution by blurring. Accordingly, Samsung's motion for judgment as a matter of law or a new trial on grounds that Apple did not establish a likelihood of dilution is DENIED.

Finally, an award of damages for trade dress dilution requires a finding that the dilution was willful, i.e. that Samsung "willfully intended to trade on the recognition" of Apple's trade dresses. 15 U.S.C. § 1125(c). Here, it is undisputed that Samsung was aware of the iPhone design. Samsung argues that Apple has not submitted evidence that could support the jury's verdict of willful dilution. However, Apple has submitted evidence that Samsung viewed the iPhone as revolutionary (PX36.20), and that Samsung attempted to create similar products (PX44). This constitutes substantial evidence in the record to support the jury's finding that Samsung willfully intended to trade on the recognition of Apple's trade dresses. Accordingly, Samsung's motion for a new trial or judgment as a matter of law on grounds that Apple did not present evidence of willful dilution is DENIED.

In sum, Apple has identified substantial evidence in the record of trade dress nonfunctionality, trade dress secondary meaning, trade dress fame prior to the release of Samsung's accused devices, likelihood of dilution, and willful dilution. Moreover, the jury's findings were not against the clear weight of the evidence. Accordingly, the Court DENIES Samsung's motion for judgment as a matter of law that Apple's registered iPhone Trade Dress and unregistered iPhone 3G Trade Dress are not protectable and not diluted, and DENIES Samsung's motion in the alternative for a new trial.

C. Utility Patents

1. Infringement

Samsung moves for judgment as a matter of law that no accused Samsung device infringes any of Apple's utility patent claims. *See* Mot. at 13–15. In the alternative, Samsung also moves for judgment as a matter of law or a new trial on infringement of claim 8 of Apple's U.S. Patent No. 7,844,915 ("the '915 Patent") and claim 19 of U.S. Patent No. 7,469,381 ("the '381 Patent"). In order to find infringement, the jury had to find that each infringing Samsung product met every limitation of each of the infringed patent claims. *See Pennwalt Corp. v. Durand–Wayland Inc.*, 833 F.2d 931, 935 (Fed.Cir.1987) (en banc). Samsung argues that Apple did not offer sufficient evidence of utility patent infringement to support the jury's findings.

Samsung's first argument applies to all of the jury's infringement findings for the '915 and '381 Patents. Samsung argues it was insufficient for Apple's experts to perform an element-by-element infringement analysis of one Samsung device and then simply show

the jury videos of other Samsung devices performing the same patented user-interface ("UI") operation. The Court cannot agree. Apple's experts Dr. Karan Singh and Dr. Ravin Balakrishnan testified that certain UI operations necessarily infringed all of the required elements. Thus, showing that those same UI operations were performed by different devices is the logical equivalent of showing that all of the required elements were performed on each device performing those UI operations. Furthermore, having had the patented UI operations demonstrated by Dr. Singh and Dr. Balakrishnan, the jurors entered the jury room with both an understanding of how the accused UI features were alleged to work *and* actual working products, which the jurors could test to confirm whether the devices infringed the UI utility patents. Thus, the combination of the testimony and the devices themselves constituted substantial evidence in the record to support a finding of infringement, and the jury's finding of infringement was not against the clear weight of the evidence. Samsung's motion for judgment as a matter of law that Apple did not establish infringement for each accused product and Samsung's motion for a new trial on this basis are accordingly DENIED.

a. Claim 8 of the '915 Patent

Samsung also moves for judgment as a matter of law that Samsung did not infringe claim 8 of the '915 Patent. Claim 8 of the '915 Patent claims a device performing a method for scrolling and scaling objects on a touch screen using gestures. Specifically, claim 8 recites:

> A machine readable storage medium storing executable program instructions which when

executed cause a data processing system to perform a method comprising:

receiving a user input, the user input is one or more input points applied to a touch-sensitive display that is integrated with the data processing system;

creating an event object in response to the user input;

determining whether the event object invokes a scroll or gesture operation by distinguishing between a single input point applied to the touch-sensitive display that is interpreted as the scroll operation and two or more input points applied to the touch-sensitive display that are interpreted as the gesture operation;

issuing at least one scroll or gesture call based on invoking the scroll or gesture operation;

responding to at least one scroll call, if issued, by scrolling a window having a view associated with the event object; and

responding to at least one gesture call, if issued, by scaling the view associated with the event object based on receiving the two or more input points in the form of the user input.

'915 Patent, 23:65–24:21.

Samsung makes three arguments to support its motion for judgment as a matter of law or a new trial on '915 Patent infringement. First, Samsung argues that Samsung's software does not satisfy the "invoking" limitation because the MotionEvent object in Samsung's code, which directly stores the user's touch data in the

operating system, does not directly cause the scroll or gesture to occur as required by the claim limitation, but that instead the MotionEvent data is used by another program, WebView object, which actually causes the scroll or gesture operation to occur. *See* Mot. at 14 (citing Tr. 2911:6–2912:1 (noninfringement testimony of Samsung expert Mr. Gray)). This argument, however, is premised upon a claim construction that the Court has already rejected, that the claimed "event object" that detects the user touch must directly cause the scroll or gesture. Instead, the Court ruled that causation with intervening events still meets the claim limitation of "invoke[ing] a scroll or gesture operation." *See* ECF No. 1158. Accordingly, this intervening step does not defeat Apple's claim of infringement.

Second, Samsung argues that some Samsung devices do not perform the "gesture" operation required by the claim in response to a two finger touch. *See* Mot. at 14. Samsung explains that these devices instead perform a "scroll" operation. *Id.* As a preliminary matter, Samsung's expert Mr. Gray testified as to only one such specific device, the Samsung Galaxy Tab 10.1. *See* Tr. 2912:2–19. Thus, even if this argument were persuasive, it would apply only to the Galaxy Tab 10.1, and not to any of the other accused devices. Samsung's motion on this basis is **DENIED** as to all accused devices except the Galaxy Tab 10.1.

Regarding the Galaxy Tab 10.1, Apple's expert Dr. Singh testified that the operation performed by the Samsung Galaxy Tab 10.1 in response to the two finger touch was not, in fact, a "scroll" as Samsung contends, but a simultaneous scroll and scale ("translate" and "scale," in Dr. Singh's words). Tr. 1863:1–1864:16. The plain language of the claim

requires a finger scroll that is "interpreted as the gesture operation" that leads to "scaling" of the view on the touch screen. This plain language does not exclude the possibility that a gesture operation causes both scaling and some other event, such as simultaneous scrolling. Thus, Dr. Singh's testimony could have supported a jury's finding that the Galaxy Tab 10.1 did, in fact, perform scaling in response to a gesture operation, as defined by the claim, and thus did infringe. Accordingly, the Court DENIES Samsung's motion for judgment as a matter of law that claim 8 of the '915 Patent is not infringed.

Finally, Samsung argues that a new trial is necessary to resolve inconsistencies in the jury verdict. *See* Mot. at 14. Specifically, Samsung argues that the jury found no '915 Patent infringement by the Galaxy Ace, running Android 2.2.1, and by the Intercept and Replenish, running Android 2.2.2., but that the jury found '915 Patent infringement by many other accused devices that run the exact same software. *Id.* In opposition, Apple argues: (1) that Samsung waived its objection by failing to raise this argument before the jury was dismissed; (2) that the verdicts are not inconsistent because the jury may have tested the three non-infringing phones in a manner that would give a false non-infringement conclusion; and (3) that any inconsistency does not merit a new trial in this case.

As to Apple's first argument, waiver by Samsung, the Court finds that Samsung did not waive its right to object to inconsistencies in the jury verdict. In fact, it was clear that Samsung was reserving its right to raise any additional inconsistencies. Tr. 4316:18–21. ("Johnson: That's it *for right now* your honor."

(emphasis added); "The Court: *At this point* ..., no further inconsistencies; right?" (emphasis added)).

Apple also argues that the verdicts are not inconsistent. However, Apple implicitly admits that the verdicts are factually inconsistent. Specifically, Apple suggests that the jury simply made a mistake in analyzing the Ace, Intercept, and Replenish in the jury room, perhaps "test[ing] them on a 'mobile' website that did not allow two-finger scaling and therefore concluded that those particular devices did not infringe." Opp'n at 12. Thus, Apple implicitly agrees that all the devices running a particular Android version either infringe or do not infringe together, and that the jury's findings are factually inconsistent.

Apple argues that these factual inconsistencies do not merit a new trial. Courts are not obligated to set aside a verdict wherever there is any sort of inconsistency. Indeed, the Ninth Circuit allows courts to set aside verdicts on grounds of inconsistency only when absolutely necessary. "The question is whether the verdict can be reconciled on any reasonable theory consistent with the evidence." *Ward v. City of San Jose*, 967 F.2d 280, 286 (9th Cir.1991). Thus, "[w]hen faced with a claim that verdicts are inconsistent, the court must search for a reasonable way to read the verdicts as expressing a coherent view of the case, and must exhaust this effort before it is free to disregard the jury's verdict and remand the case for a new trial." *Toner for Toner v. Lederle Laboratories, a Div. of American Cyanamid Co.*, 828 F.2d 510, 512 (9th Cir.1987).

In *Zhang v. Am. Gem Seafoods, Inc.*, 339 F.3d 1020, 1034 (9th Cir.2003), the Ninth Circuit undertook a comprehensive analysis of the law on inconsistent verdicts. In upholding a jury's verdict that a corporate

defendant was liable where the only individual acting on behalf of the corporation was not, the Ninth Circuit explained that seeming inconsistencies in a jury's understanding of facts does not warrant a new trial. *Id.* at 1030. Only verdicts that entail two legal conclusions that cannot logically coexist, such as an award of damages and a finding of no liability, rather than a mere inconsistent view of facts, warrant the Court's intervention. *See id.* at 1034 ("Unless one legal conclusion is the prerequisite for another, inconsistencies between them must stand."); *see also Duhn Oil Tool, Inc. v. Cooper Cameron Corp.*, 818 F.Supp.2d 1193 (E.D.Cal., 2011) (jury's verdicts that independent patent claim is obvious, but dependent claim is not, are inconsistent and require new trial).

Here, an infringement finding for one product is not the legal prerequisite for an infringement finding of another product, even if the products are identical in all relevant respects. Rather, this situation is analogous to *Zhang*, where a finding that the corporation was liable logically should also have meant that the individual through which the corporation acted was liable, but the two liability determinations, while depending on the same facts, were legally independent of one another. In *Zhang*, the Ninth Circuit held that the verdicts, though apparently factually inconsistent, must stand. *Id.* at 1030. The same is true here. Accordingly, a new trial to resolve inconsistencies is inappropriate as to '915 Patent infringement. Therefore, the Court DENIES Samsung's motion for a new trial as to infringement of claim 8 of the '915 Patent.

b. Claim 19 of the '381 Patent

Samsung also moves for judgment as a matter of law that Samsung did not infringe claim 19 of the '381 Patent. Claim 19 of the '381 Patent claims a device

performing a method of bouncing back when a user scrolls an object such as a web page off the end of a display screen. Specifically, claim 19 recites:

> A device, comprising:
>
> a touch screen display;
>
> one or more processors;
>
> memory; and
>
> one or more programs, wherein the one or more programs are stored in the memory and configured to be executed by the one or more processors, the programs including:
>
> instructions for displaying a first portion of an electronic document;
>
> instructions for detecting a movement of an object on or near the touch screen display;
>
> instructions for translating the electronic document displayed on the touch screen display in a first direction to display a second portion of the electronic document, wherein the second portion is different from the first portion, in response to detecting the movement;
>
> instructions for displaying an area beyond an edge of the electronic document and displaying a third portion of the electronic document, wherein the third portion is smaller than the first portion, in response to the edge of the electronic document being reached while translating the electronic document in the first direction while the object is still detected on or near the touch screen display; and

> instructions for translating the electronic document in a second direction until the area beyond the edge of the electronic document is no longer displayed to display a fourth portion of the electronic document, wherein the fourth portion is different from the first portion, in response to detecting that the object is no longer on or near the touch screen display.

'381 Patent, 36:59–37:22.

Samsung argues that the "hold still" function of its phones is not a bounce-back feature as claimed by the '381 Patent, and that therefore its phones do not infringe. *See* Mot. at 14–15. Apple does not dispute that the "hold still" function is not claimed by the '381 Patent, but cites Apple expert Dr. Balakrishnan's testimony that in addition to the "hold still" function, the accused Samsung phones also perform the claimed bounce-back function, and that the accused phones contain the software instructions for performing the bounce-back function. *See* Opp'n. at 13 (citing Tr. 1751:21–1757:21).

Samsung argues that the Court has already ruled that the '381 Patent requires that the bounce-back function occur every time the user scrolls past the edge of the electronic document, and that therefore even if the accused phones do sometimes display the bounce-back feature or contain software instructions for that feature, they do not infringe. *See* Mot. at 14–15. However, this Court's prior ruling did not concern claim 19, but rather claim 1 of the '381 Patent, a method claim. *See* ECF No. 452 at 58–60. Thus, that ruling does not control here. The jury found that some Samsung products infringe claim 19 of the '381 Patent, which claims not a method, but an apparatus with

instructions for performing the bounce-back function. The plain language of the claim does not require that the instructions operate to perform the function in every instance. Thus, the jury could reasonably have interpreted the claim language to require only that a device contain the instructions for the bounce-back feature, which Dr. Balakrishnan testified that Samsung's devices did. Accordingly, there is substantial evidence in the record to support the jury's findings of infringement as to claim 19 of the '381 Patent, and this finding of infringement was not against the clear weight of the evidence. Therefore, the Court DENIES Samsung's motion for judgment as a matter of law that Samsung's accused devices do not infringe claim 19 of the '381 Patent, and DENIES Samsung's motion for a new trial on this basis.

2. Validity

Samsung seeks judgment as a matter of law that all three of Apple's asserted utility patents are invalid on grounds of anticipation, obviousness, or both.[4] A patent claim is invalid by reason of anticipation under 35 U.S.C. § 102 "if each and every limitation is found either expressly or inherently in a single prior art reference." *Bristol–Myers Squibb Co. v. Ben Venue Labs., Inc.*, 246 F.3d 1368, 1374 (Fed.Cir.2001). Whether a patent is anticipated is a question of fact. *Green Edge Enterprises, LLC v. Rubber Mulch Etc., LLC*, 620 F.3d 1287, 1297 (Fed.Cir.2010). Anticipation

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[4] Samsung has also moved for a new trial on validity. However, Samsung's motion for a new trial is based upon Samsung's allegation that despite correct instruction, the jury applied an incorrect legal standard to evaluate patent validity. This argument has already been addressed in the Court's Order re: Juror Misconduct. *See* ECF No. 2198.

must be shown by clear and convincing evidence. *Id.* at 1292.

As with design patents, as discussed above, a utility patent is invalid for obviousness "if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains." 35 U.S.C. § 103(a). "Obviousness is a question of law based on underlying findings of fact." *In re Kubin,* 561 F.3d 1351, 1355 (Fed.Cir.2009). The underlying factual inquiries are: (1) the scope and content of the prior art; (2) the differences between the prior art and the claims at issue; (3) the level of ordinary skill in the art; and (4) any relevant secondary considerations, such as commercial success, long felt but unsolved needs, and the failure of others. ***KSR Int'l,*** 550 U.S. at 406, 127 S.Ct. 1727 (2007) (citing *Graham,* 383 U.S. at 17–18, 86 S.Ct. 684); *Aventis,* 675 F.3d at 1332. Though obviousness is ultimately a question of law for the Court to decide de novo, the Court treats with deference the implied findings of fact regarding obviousness made by the jury. *Kinetic Concepts,* 688 F.3d at 1356–57 "A party seeking to invalidate a patent on the basis of obviousness must demonstrate by clear and convincing evidence that a skilled artisan would have been motivated to combine the teachings of the prior art references to achieve the claimed invention, and that the skilled artisan would have had a reasonable expectation of success in doing so." *Id.* at 1360.

a. Claim 8 of the '915 Patent

Samsung moves for judgment as a matter of law that claim 8 of the '915 Patent is invalid based on two pieces of prior art: (1) the DiamondTouch with FractalZoom; and (2) the Nomura patent application.[5] *See* Mot. at 12. First, Samsung argues that the DiamondTouch with FractalZoom included all the elements of claim 8 of the '915 Patent, rendering claim 8 invalid for anticipation. Although Samsung's expert Stephen Gray testified that this prior art contained all the elements of claim 8 of the '915 Patent (Tr. 2897:12–2902:5:25), Apple's expert Dr. Singh gave contrary testimony (Tr. 3623:7–3625:5). Specifically, Dr. Singh testified that: (1) the DiamondTouch does not contain an "integrated" "touch-sensitive display;" (2) the DiamondTouch treats a three-finger input the same as a one-finger input, thereby failing to distinguish between a "single input point" and "two or more input points"; and (3) Mr. Gray never identified a "view object" that was associated with an "event object." Though conflicting with Mr. Gray's testimony to some extent, this testimony is sufficient to support the jury's finding that Samsung has not proven anticipation by clear and convincing evidence.

Moreover, in finding the patent valid, the jury made implied findings that these gaps between the prior art and claim 8 of the '915 Patent were significant. Samsung has failed to identify evidence suggesting that it would have been obvious to a person of ordinary skill in the art to bridge these gaps, such as testimony or documentary evidence as to how or why the gap would

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[5] Samsung does not move for judgment as a matter of law that claim 8 of the '915 Patent is invalid based on the Han reference, but Apple's opposition discusses the Han reference.

have been bridged. Thus, the Court cannot find that Samsung has met its burden to establish obviousness by clear and convincing evidence. Therefore, the Court DENIES Samsung's motion for judgment as a matter of law that claim 8 of the '915 Patent is invalid over the DiamondTouch with FractalZoom prior art.

Samsung also argues that the Nomura patent application includes all elements of claim 8 of the '915 Patent, and thus renders claim 8 invalid for anticipation. *See* Mot. at 12. Claim 8 covers a user interface created by a specific programming technique. However, Dr. Singh testified that Nomura does not include "events, objects, [or] views," as required by claim 8. Thus, Nomura may disclose a similar user interface, but one that is implemented using different programming techniques than claim 8 of the '915 Patent. Tr. 3625:10–3626:24. As with the DiamondTouch, Dr. Singh's testimony about the Nomura reference supports the jury's finding of non-anticipation.

Furthermore, the jury's finding of validity indicates that the jury made an implied finding of fact affirming Dr. Singh's testimony that the gap between Nomura and the '915 Patent was significant. The Court must give that finding deference. *See Kinetic Concepts*, 688 F.3d 1342, 1356. In light of the lack of clear Samsung evidence as to why such a gap would be obvious to bridge, the Court finds claim 8 of the '915 Patent non-obvious as a matter of law. Accordingly, the Court DENIES Samsung's motion for judgment as a matter of law that claim 8 of the '915 Patent is invalid based on the Nomura prior art.

b. Claim 19 of the '381 Patent

Samsung also moves for judgment as a matter of law that claim 19 of the '381 Patent is invalid because of the TableCloth and LaunchTile prior art references, based upon testimony to that effect from Samsung's expert Dr. van Dam. *See* Mot. at 12.

Apple argues that the jury's finding of non-anticipation was supported by the testimony of Dr. Balakrishnan. Dr. Balakrishnan testified that TableCloth does not respond to the edge of an electronic document as required by claim 19. *See* 3631:14–3634:19. Instead, he testified that TableCloth simply snaps back to the original position when the user's finger is lifted off the touch-screen, regardless of whether a document edge has been crossed. *Id.* This testimony alone is sufficient to support the jury's finding that TableCloth does not anticipate claim 19. Similarly, Dr. Balakrishnan testified that TableCloth snaps back not only until space beyond the edge of an electronic document is no longer displayed, but rather all the way to the document's original position, before it was moved at all. *Id.* Yet claim 19 explicitly excludes this type of snapping back to the original position ("wherein the fourth portion is different from the first portion"). Again, this testimony is sufficient to support the jury's finding of validity.

Dr. Balakrishnan also provided testimony sufficient to support the jury's finding that LaunchTile does not anticipate claim 19. He testified that LaunchTile fails to meet the limitations of claim 19 of the '381 Patent because LaunchTile does not respond "to the edge of the electronic document being reached," as required by the claim. Tr. 3634:20–3635:18. Instead, Dr. Balakrishnan testified that LaunchTile tracks the center of the document. *Id.* Dr. Balakrishnan also testified that

LaunchTile will simply move to center a displayed document, but that such centering will not necessarily be "in a second direction" as required by claim 19. *See id.* ("If it's more than a sixth of the way, it goes to the next set of tiles."). Furthermore, Dr. Balakrishnan testified that LaunchTile sometimes also demonstrated situations in which LaunchTile will not move past an edge (the so-called "frozen screen problem"), and situations in which LaunchTile allows dragging far past an edge (the so-called "desert fog problem"). Tr. 3635:19–3636:8. The emergence of these two problems supports Dr. Balakrishnan's testimony that although LaunchTile may sometimes appear to be responding to an edge as required by claim 19, in fact it is not. In sum, Dr. Balakrishnan's testimony constituted substantial evidence in the record to support the jury's finding of non-anticipation. Accordingly, Samsung's motion for judgment as a matter of law that claim 19 of the '381 Patent is invalid for anticipation is DENIED.

The Court also finds that claim 19 is not obvious in light of Tablecloth and LaunchTile. In finding validity, the jury implicitly found that the gaps identified by Dr. Balakrishnan were significant. Samsung's expert Dr. van Dam testified only that Tablecloth rendered claim 19 obvious because a person of ordinary skill in the art would "understand the advantage of this snapping back behavior." Tr. 2872:23–25. Dr. van Dam also testified that LaunchTile rendered the '381 Patent "obvious because, again, you can see every element there." Tr. 2873:6–7. These bare assertions by Dr. van Dam are insufficient to prove by clear and convincing evidence that it would have been obvious to bridge the gaps between Tablecloth or LaunchTile and claim 19. Accordingly, in light of the jury's implied findings of

fact and Samsung's minimal evidence as to obviousness, the Court finds claim 19 of the '381 Patent non-obvious as a matter of law. Therefore, the Court DENIES Samsung's motion for judgment as a matter of law that claim 19 of the '381 Patent is invalid.

c. Claim 50 of the '163 Patent

Claim 50 of U.S. Patent No. 7,864,163 ("the '163 Patent") claims a touch screen device with tap-to-zoom functionality. Specifically, claim 50 recites:

> A portable electronic device, comprising:
>
> a touch screen display;
>
> one or more processors;
>
> memory; and
>
> one or more programs, wherein the one or more programs are stored in the memory and configured to be executed by the one or more processors, the one or more programs including:
>
> instructions for displaying at least a portion of a structured electronic document on the touch screen display, wherein the structured electronic document comprises a plurality of boxes of content;
>
> instructions for detecting a first gesture at a location on the displayed portion of the structured electronic document;
>
> instructions for determining a first box in the plurality of boxes at the location of the first gesture;
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> instructions for enlarging and translating the structured electronic document so that the

> first box is substantially centered on the touch screen display;
>
> instruction for, while the first box is enlarged, a second gesture is detected on a second box other than the first box; and
>
> instructions for, in response to detecting the second gesture, the structured electronic document is translated so that the second box is substantially centered on the touch screen display.

'163 Patent, 29:14–40.

Samsung argues that claim 50 of the '163 Patent is invalid based on LaunchTile, and two additional references, Agnetta and Robbins. In support of this argument, Samsung cites the testimony of Mr. Gray. *See* Mot. at 12–13. Apple's expert Dr. Singh gave rebuttal testimony as to LaunchTile and Agnetta, explaining that neither LaunchTile nor Agnetta "enlarge[s] a structured electronic document" as required by claim 50. Tr. 3615:19–3616:4. Instead, Dr. Singh testified that to the extent any structured electronic document exists, LaunchTile and Agnetta *replace* that structured electronic document with new content. *Id.* This testimony is sufficient to support the jury's finding that Samsung did not prove anticipation by LaunchTile or Agnetta by clear and convincing evidence. As to the Robbins reference, Mr. Gray did not address all the limitations of claim 50 on direct examination. *See* Tr. 3619:4–3620:10 (Dr. Singh testimony that Mr. Gray had neglected to explain how all claim elements were present in Robbins). The incomplete nature of Mr. Gray's testimony supports the jury's finding that Samsung did not prove anticipation over Robbins by clear and convincing

evidence. Tr. 2919:17–2922:6. Accordingly, Samsung's motion for judgment as a matter of law that claim 50 is invalid for anticipation is DENIED.

Furthermore, Mr. Gray admitted that he gave no testimony as to obviousness of claim 50 of the '163 Patent. Tr. 2924:12–17 (admitting that "anticipation is all [Mr. Gray] spoke to"). Indeed, because the jury implicitly found, as Dr. Singh testified, that there are differences between the prior art and Apple's utility patents, Samsung had the burden of showing that these gaps would have been obvious to bridge. Samsung failed to offer such evidence. Accordingly, the Court DENIES Samsung's motion for judgment as a matter of law that claim 50 of the '163 Patent is invalid for obviousness over the LaunchTile, Agnetta, and Robbins references.

D. Willfulness

To establish willful patent infringement,[6] "a patentee must show by clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent. The state of mind of the accused infringer is not relevant to this objective inquiry. If this threshold objective standard is satisfied, the patentee must also demonstrate that this objectively-defined risk ... was either known or so obvious that it should have been

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[6] This standard applies only to patents. To the extent that the parties suggest that the Court should consider willfulness regarding trade dress dilution, the Court declines to do so. Willfulness is part of dilution inquiry, and a finding of willfulness is required to award remedies for trade dress dilution. Accordingly, the jury's findings on willfulness as to trade dress dilution are addressed in the section on trade dress, and are not independently considered here, in the discussion of willful patent infringement.

known to the accused infringer." *In re Seagate Technology, LLC*, 497 F.3d 1360 (Fed.Cir.2007) (internal citation omitted). Thus, the willfulness inquiry is a two-prong analysis, requiring an objective inquiry and a subjective inquiry. The objective inquiry is a question for the Court, and the subjective inquiry is a question for the jury. *Bard Peripheral Vascular, Inc. v. W.L. Gore & Associates, Inc.*, 682 F.3d 1003, 1007 (Fed.Cir.2012).

Because both prongs must be established for the Court to make an ultimate finding of willfulness, failure on either prong defeats a claim of willfulness. Thus, where the jury found willfulness, the Court must also find willfulness. If the Court finds no objective willfulness, the inquiry is at an end, and the Court need not consider whether the jury's finding of subjective willfulness was supported by substantial evidence. Conversely, if the jury found no subjective willfulness, the Court need not consider objective willfulness, as the willfulness claim must fail either way.[7]

Here, the Court sent the subjective prong of willfulness to the jury, and the jury found that Samsung's infringement was subjectively willful for five of the seven patents (three utility patents and two design patents). *See* Final Jury instruction No. 59; Amended Jury Verdict, ECF No. 1890, at 9. Thus, for these five patents, the Court must find the objective prong also

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[7] Of course, a jury's finding of no subjective willfulness must also be supported by substantial evidence in the record. This question was briefed in Apple's motion for judgment as a matter of law, and is addressed in this Court's separate Order on that motion.

satisfied in order to make an ultimate finding of willfulness.[8]

To establish objective willfulness, Apple must prove by clear and convincing evidence that there was an "objectively high likelihood that its actions constituted infringement of a valid patent." *Bard*, 682 F.3d at 1005 (citing *Spine Solutions, Inc. v. Medtronic Sofamor Danek USA, Inc.*, 620 F.3d 1305, 1319 (Fed.Cir.2010)). If Samsung had an objectively reasonable defense to infringement, its infringement cannot be said to be objectively willful. *See Spine Solutions*, 620 F.3d at 1319 ("The 'objective' prong of *Seagate* tends not to be met where an accused infringer relies on a reasonable defense to a charge of infringement."); *Bard*, 682 F.3d at 1006 (objective willfulness determination "entails an objective assessment of potential defenses based on the risk presented by the patent. Those defenses may include questions of infringement but also can be expected in almost every case to entail questions of validity that are not necessarily dependent on the factual circumstances of the particular party accused of infringement"). The Court will consider each patent in turn.

1. '381 Patent

First, the Court finds that Samsung had an objectively reasonable defense to infringement of claim 19 of the '381 Patent. Specifically, Samsung had a reasonable defense that this claim was invalid for anticipation by

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[8] Apple argues that Samsung inappropriately argued non-willfulness in Samsung's motion on non-jury claims. Although the Court addresses willfulness in this Order, in light of *Bard*, it was appropriate for Samsung to raise the objective prong of willfulness in Samsung's motion on non-jury claims.

Tablecloth. At summary judgment, Samsung presented evidence that Tablecloth was invented and may have been in public use more than one year prior to the filing of the '381 Patent's parent provisional application, thus qualifying as prior art under § 102(b). *See* Decl. of Adam Bogue in support of Samsung's motion for summary judgment, ECF No. 933, at ¶¶ 8–12. Samsung also presented a date stamp on the files for the Tablecloth software showing its invention before the '381 Patent application was filed. *See* Decl. of Bill Trac in support of Samsung's summary judgment reply, ECF No. 1068, at ¶ 28 & Exh. 25; Order Denying Samsung's Motion for Summary Judgment, ECF No. 1158, at 13–16 (citing Samsung's evidence).

Further, Samsung presented an expert's declaration opining that Tablecloth disclosed all of the limitations of claim 19. *See* Decl. of Andries Van Dam in support of Samsung's motion for summary judgment, ECF No. 937, at §§ 51–82. Similar evidence was presented at trial. *See* Tr. 2276:17–2299:16 (Adam Bogue testifying about DiamondTouch and Tablecloth); *id.* at 2846:10–2847:2; 2855:1–2858:22 (Dr. van Dam testifying about Tablecloth's disclosure of claim elements). Though the evidence was not sufficient to establish anticipation as a matter of law, nor to persuade the jury of anticipation by clear and convincing evidence, there was certainly an objectively reasonable argument for anticipation.[9] Accordingly, the Court finds that,

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[9] Samsung has also directed the Court to the PTO's recent non-final action rejecting claims 1–20 for anticipation in an ex parte reexamination. *See* ECF No. 2079. However, the Federal Circuit "has stressed that initial rejections by the PTO of original claims that were later confirmed on reexamination is so commonplace that they hardly justify a good faith belief in the invalidity of the claims." *Hoechst Celanese Corp. v. BP Chems. Ltd.*, 78 F.3d 1575,

objectively, Samsung's infringement of the '381 Patent was not willful, due to its reasonable reliance on an invalidity defense. Because the objective willfulness prong is not satisfied, the Court need not examine the jury's finding on subjective willfulness. Samsung's motion for judgment as a matter of law that its infringement of claim 19 of the '381 Patent was not willful is GRANTED.

2. '163 Patent

Regarding the '163 Patent, Samsung again had an objectively reasonable defense. Specifically, Samsung had a reasonable defense that claim 50 of the '163 Patent was invalid for indefiniteness. Indeed, although the Court has ultimately found the term "substantially centered" definite, see Order re: Indefiniteness, ECF No. 2218, Samsung's position, as argued in Samsung's motion on non jury claims, was objectively reasonable, and raised close questions of law concerning the definiteness requirement in the context of terms of degree. Because the objective willfulness prong is not satisfied, the Court need not examine the jury's finding on subjective willfulness. Samsung's motion for judgment as a matter of law that its infringement of claim 50 of the '163 Patent was not willful is GRANTED.

1584 (Fed.Cir.1996); *id.* at 1584 (stating that a grant of a request for reexamination does not establish a likelihood of patent invalidity); *see also Q.G. Prods. v. Shorty, Inc.*, 992 F.2d 1211, 1213 (Fed.Cir.1993) (noting that initial patent "rejections often occur as a part of the normal application process"). Accordingly, the Court does not rely on the PTO's non-final action in ruling on Samsung's motion.

3. '915 Patent

As to the '915 Patent, Samsung had an objectively reasonable defense that claim 8 was invalid for obviousness. As explained above in resolving Samsung's motion for judgment as a matter of law on obviousness, the '915 Patent distinguishes between one-finger scrolling and two-finger gestures. There is no dispute that DiamondTouch does both one-finger scrolling and two-finger gestures. The DiamondTouch, however, treats a two-finger touch as unique, and a single finger or a three-or-four-finger touch as the same. The '915 Patent, in contrast, treats one-finger touches as unique, and two, three, or four-finger touches as the same. Though this jury did not, a jury could reasonably have found that the gap between DiamondTouch's function and the '915 Patent (i.e., whether the one-finger or the two-finger touch is unique) was not significant. Thus, it was objectively reasonable for Samsung to contend that treating all multiple-finger touches the same, instead of treating a two-finger touch as unique, would have been obvious to a person having ordinary skill in the art.

Samsung had an additional objectively reasonable (though ultimately unsuccessful) obviousness defense to infringement of the '915 Patent. Apple distinguished another prior art reference, the Nomura patent application, on the grounds that the Nomura reference and the '915 Patent used different programming methods. Apple explains that the Nomura reference did not disclose the use of object-oriented programming, and that the '915 Patent added this feature. Tr. 3625:10–3626:24 (Apple expert Dr. Singh testifying that the Nomura reference does not disclose "events, objects, [or] views," and explaining "you can easily replace events with, with polling in a device ...

procedural programming and languages can replace objects, ... and you can have a single block of display logic instead of views.") Samsung argues that any such gap in programming technique would have been obvious to a person of ordinary skill in the art. Samsung had an objectively reasonable argument that the unique aspect of the '915 patent was not the programming techniques used to implement it, but rather the user interface aspect, and accordingly, it would be obvious to implement the same user interface with different underlying programming.[10] Because the objective willfulness prong is not satisfied, the Court need not examine the jury's finding on subjective willfulness. Samsung's motion for judgment as a matter of law that its infringement of claim 8 of the '915 Patent was not willful is GRANTED.

4. D'677 and D'305 Patents

Turning to the two design patents that the jury found that Samsung had willfully infringed, the D'677 and D'305 Patents, the Court finds that Apple has not met its burden to show by clear and convincing evidence that there was an objectively high likelihood that Samsung's actions would infringe valid design patents. Leaving aside the question of whether Samsung actually knew about the patents (as this question was part of the jury's subjective analysis), the Court finds that Samsung would have been reasonable to rely on its noninfringement defenses.

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[10] Here, Samsung has directed the Court to another non-final PTO action rejecting claim 8 of the '915 Patent. *See* ECF No. 2202. For the reasons explained above, the Court does not consider this PTO non-final action in ruling on Samsung's present motion.

Apple argues that Samsung had no reasonable noninfringement defense for either the D'677 or the D'305 Patent. *See* Apple's Brief on Nonjury Claims, ECF No. 1981, at 13. For the D'677 Patent, Apple relies on this Court's finding, at the preliminary injunction stage, that the Samsung Galaxy S 4G and Samsung Infuse likely infringed the D'677 Patent. However, for both products, the Court noted that it was "a close question," ECF No. 452 at 26, 27 The Court pointed out differences such as the "four small functional buttons at the bottom, and a camera lens at the top of the front face" of the Galaxy S 4G, which could "take on greater significance" in light of the prior art. *Id.* at 25. And with regard to the Infuse, the Court noted "the addition of buttons and writing," and the fact that the "Infuse 4 appears broader and longer, with a larger screen face relative to the rest of the front face, and sharper corners" than the D'677 Patent. *Id. at 27.* Thus, the Court's ultimate conclusion, after careful consideration, that infringement was likely does not render Samsung's reliance on an infringement defense unreasonable. Indeed, the closeness of the question suggests that noninfringement was indeed a reasonable defense. Accordingly, the Court finds that Apple has not met its burden to establish that there was an objectively high likelihood that Samsung's actions would constitute infringement of the D'677 Patent, and Samsung's motion for judgment as a matter of law that its infringement was not willful is GRANTED.

Regarding the D'305 Patent, Apple does not present any specific evidence as to the unreasonableness of Samsung's infringement defense. Instead, Apple relies on general evidence that "some of the accused products" were very similar to the D'305 Patent. Apple's Mot. for Damages Enhancements at 13. Apple

points to one internal Samsung document (PX44.131) noting a "[s]trong impression that iPhone's icon concept was copied." The document includes a side-by-side comparison of an iPhone and a phone labeled "GTi9000." The document does not mention the D'305 patent. Further, the document actually points out some differences between the Samsung phone and the iPhone in the form of suggestions for how the Samsung product could be made to look more iPhone-like: "Insert effects of light for a softer, more luxurious icon implementation. Make the edge curve more smooth to erase the hard feel. Remove a feeling that iPhone's menu icons are copied by differentiating design." PX44.131. Thus, even where aware of the similarities, Samsung had also identified several differences. As noted above, individual differences such as those Samsung has identified can take on a greater significance in the infringement analysis when compared with the prior art, thus providing further reason to believe that a design with such differences does not infringe. *See Crocs, Inc. v. Int'l Trade Comm'n*, 598 F.3d 1294, 1303 (Fed.Cir.2010). PX44 therefore does not provide convincing evidence that Samsung's infringement defense for the D'305 Patent was unreasonable.

Apple's other piece of evidence regarding Samsung's noninfringement defense is a single quotation from *Wired* magazine noting that "[t]he Vibrant's industrial design is shockingly similar to the iPhone 3G." PX6.1. The discussion in the passage cited by Apple is largely focused on the exterior of the phone, not the user interface or icons covered by the D'305 Patent, though it does mention that "the square icons are, again, very similar in their looks to the iPhone 3G's." *Id.* The Vibrant is one of the phones accused of infringing the D'305 patent. However, all Apple has presented here

is one industry reporter's assessment that the icons are "very similar" in their looks. This article provides some limited evidence that one phone, the Vibrant, had the potential to infringe the D'305 Patent. It does not, however, make clear whether the similarity is in individual icons themselves, the layout of the icons, or, as would be more relevant to the question of design patent infringement, the overall visual impression of the home screen. The fact that the Vibrant's square icons are similar to the iPhone's would not necessarily mean that the Vibrant would infringe the D'305 Patent.

As this is the sum total of Apple's arguments and evidence that Samsung's infringement was willful, the Court cannot conclude that Apple has met its burden to show willfulness by clear and convincing evidence. In light of Samsung's reasonable, if ultimately unsuccessful, noninfringement defense, Apple simply has not established that there was an objectively high likelihood that Samsung's actions would constitute infringement of the D'305 Patent. This finding makes it unnecessary for the Court to review Samsung's invalidity defenses, as Samsung needed only one reasonable defense on which to rely, in order to defeat the objective willfulness inquiry. Accordingly, Samsung's motion for judgment as matter of law that Samsung did not willfully infringe the D'305 Patent is GRANTED.

E. SEC's Liability

The Defendants in this case are three Samsung entities: the Samsung Korean parent company, Samsung Electronics Corporation ("SEC"); and two United States subsidiaries, Samsung Telecommunications America ("STA") and Samsung Electronics America ("SEA"). The jury found SEC liable for both direct infringement and inducing infringement by STA and

SEA. Samsung moves for judgment as a matter of law that SEC did not directly infringe or induce infringement, and in the alternative for a new trial. Samsung also moves for a new trial on damages on the grounds that damages were improperly calculated as a global figure for SEC and its United States subsidiaries based upon the finding that SEC was liable for patent infringement.

As to direct infringement, Samsung argues that the Korean parent company, SEC, does not commit patent infringement in the United States because when SEC sells the accused devices to the subsidiaries, title to the accused devices is transferred to STA and SEA before the SEC ships the devices. "Mere knowledge that a product will ultimately be imported into the United States is insufficient to establish liability [for direct patent infringement] under section 271(a)." ***MEMC Elec. Materials v. Mitsubishi Materials Silicon Corp.***, 420 F.3d 1369, 1377 (Fed.Cir.2005). However, Samsung's 30(b)(6) witness Justin Denison testified that STA and SEA collect orders in the United States, that SEC manufactures the accused devices, and that SEC then ships the accused devices to Chicago and Dallas. Tr. 793:25–795:12. Furthermore, Apple's financial expert Terry Musika testified that STA and SEA buy phones from SEC, which STA and SEA resell in the United States. Tr. 2068:14–2069:16. The jury could reasonably infer that this exchange involves more than "mere knowledge." Indeed, STA and SEA are based in the United States, and SEC ships the phones directly into the United States, albeit having first transferred title to STA and SEA. *See* Tr. 790:17–795:12 (Denison testimony). This is the same arrangement found sufficient to constitute direct infringement in *Litecubes, LLC v. N. Light Prods.*, 523 F.3d 1353, 1371 (Fed. Cir.2008) ("Since the American customers were in the

United States when they contracted for the accused cubes, and the products were delivered directly to the United States, under *North American Philips [Corp. v. American Vending Sales, Inc.*, 35 F.3d 1576 (Fed. Cir.1994)] and ***MEMC*** there is substantial evidence to support the jury's conclusion that GlowProducts sold the accused cubes within the United States.")

Furthermore, substantial evidence suggests that SEC exerted a high degree of control over SEA and STA activities in the United States, including setting wholesale prices and analyzing product returns. *See, e.g.*, Tr. 796:14–18 (Denison testimony that "there's a lot of conversations back and forth [that] could be construed as directions [from SEC to STA]"); PX204 at 188:9–17 ("SEC [and not STA] sets the wholes price"); PX59.2 ("Headquarters" personnel lead STA employees investigating Tab returns at Best Buy); Tr. 793:17–24 (Denison testimony that SEC is referred to as "HQ or headquarters"). This control is further evidence that the sale of infringing phones in the United States by SEA or STA can be considered infringement in the United States by SEC. Accordingly, substantial evidence in the record supports the jury's finding that SEC directly infringed Apple's patents. Therefore, the Court DENIES Samsung's motion for judgment as a matter of law that SEC did not commit direct infringement, and DENIES Samsung's motion for a new trial on damages on the grounds that the damages figure was based upon the incorrect finding of SEC liability.

Having found that SEC is directly liable for infringement, the Court need not reach the question of whether the jury's findings of inducement for these same products and patents was also supported by substantial evidence. Inducement can only occur

where there is direct infringement by another. *See Dynacore Holdings Corp. v. U.S. Philips Corp.*, 363 F.3d 1263, 1274 (Fed.Cir.2004). Here, for every patent and product for which the jury found direct infringement by STA or SEA (and thus for which inducement is possible), the jury also found, and the Court affirmed, direct infringement by SEC. Thus, SEC's liability has been conclusively established; an additional finding on an alternative theory of liability will not change the outcome. Accordingly, the Court need not reach the question of whether substantial evidence supported the jury's finding that SEC induced infringement by STA or SEA.

F Samsung's Affirmative Case

1. Claims 10 and 15 of the '941 Patent

Samsung moves for judgment as a matter of law that Apple's accused devices infringe claims 10 and 15 of the U.S. Patent No. 7,675,941 ("the '941 Patent"). Samsung also moves for judgment as a matter of law that the asserted claims are not exhausted as to Apple's accused devices. The Court has granted Apple's motion for judgment as a matter of law that claims 10 and 15 of the '941 Patent are invalid for anticipation. *See* Order granting in part and denying in part Apple's motion for judgment as a matter of law, ECF No. 2219. Accordingly, the Court does not reach Samsung's motions as to the '941 Patent.

2. Claims 15 and 16 of the '516 Patent

Samsung moves for judgment as a matter of law that Apple's accused devices infringe claims 15 and 16 of the '516 Patent, and that these claims are not exhausted as to Apple's accused devices. Samsung alleges that claims 15 and 16 of the '516 Patent are

embodied by Intel chipsets which were sold to Apple, and used in Apple's accused devices. The jury found that Samsung's chip patents were exhausted, but not infringed. Pursuant to the jury instructions, the jury, in finding exhaustion, made implicit findings of fact: (1) that Intel's sales to Apple were authorized by Samsung; (2) that those sales occurred in the United States; and (3) that if the accused products infringe, it is because the baseband chips substantially embody the '516 and/or '941 Patents. *See* Final Jury Instruction No. 34. The Court will consider exhaustion first, and will then turn to the question of infringement.

Regarding the first requirement for exhaustion, authorization, there is substantial evidence in the record to support the jury's conclusion that Intel was licensed to sell its chips directly or indirectly to Apple (*see* PX81.11, PX81.23 (Samsung licenses to Intel allowing indirect sales by Intel)); Tr. 3543:12–24 (Apple expert Richard Donaldson testifying that license language allowing Intel to sell "indirectly" allowed sales through Intel subsidiaries). Apple's expert Tony Blevins testified that Intel indeed sold the chips indirectly to Apple, through an Intel subsidiary based in the United States, Intel Americas. *See* PX78 (Intel Americas invoices); Tr. 3170:1–4 (Blevins testimony on Intel Americas). This is exactly the type of sale that Mr. Donaldson testified was authorized by the Samsung/Intel license agreement. Thus, Mr. Donaldson's testimony, combined with Mr. Blevins's testimony, constitutes substantial evidence in the record that Intel's sales to Apple were authorized.

Samsung argues that Apple failed to present evidence that Intel took any affirmative action to sublicense Intel Americas, and thus that Samsung's authorizations to Intel did not extend to Intel America.

Samsung cites *Intel Corp. v. Broadcom Corp.*, 173 F.Supp.2d 201, 222 (D.Del.2001), in support of the argument that an affirmative act of sublicensing to Intel Americas would be necessary. However, the terms of the Samsung/Intel license agreement do not require any particular action on the part of Intel in order to license a subsidiary. In *Broadcom,* a sublicensed subsidiary was required to undertake obligations to the licensor, including cross-licensing any patents held by the subsidiary. In contrast, here there is no term in the sublicensing provision of the Samsung/Intel agreement that requires an Intel subsidiary to undertake any obligations to Samsung. *See* PX81.11–12, PX81.23. Instead, extension of sublicenses to subsidiaries is a right granted to Intel, with the only limitations being the duration of Intel's own license and the requirement to inform Samsung of any licenses upon Samsung's request. *See id.* Indeed, Apple argues that Intel was not required to take any affirmative action when sublicensing under the terms of Intel's contract with Samsung, citing language allowing "indirect" sales by Intel, and testimony that Intel Americas "send[s] invoices and collect[s] payments for Intel products." *See* Opp'n at 27. Thus, the lack of affirmative sublicensing activity does not undermine the jury's finding that Intel's sales to Apple through Intel Americas were authorized by Samsung.

Regarding the second exhaustion requirement, there is substantial evidence in the record that the authorized sales to Apple occurred in the United States. Location of sale is determined based upon where the essential activities of the sale occurred. *MEMC,* 420 F.3d at 1375–77. Apple offered evidence that both parties to the sales were based in the United States, and that payment occurred in the United

States. *See* PX78 (Intel Americas invoices). Furthermore, the jury could reasonably infer that the negotiations between the two United States corporations occurred in the United States. This is sufficient evidence to conclude that the sale occurred in the United States.

Regarding the third requirement, Samsung argues that Apple did not present sufficient evidence to satisfy the embodiment requirement for exhaustion, given that the jury found that Apple's products did not infringe Samsung's chip patents. Infringement is not necessarily required for patent exhaustion. However, for a patent to be exhausted by sale of a non-infringing product, the "only and intended use" of that non-infringing product must be infringing. *See Quanta Computer, Inc. v. LG Electronics, Inc.*, 553 U.S. 617, 628, 128 S.Ct. 2109, 170 L.Ed.2d 996 (2008). Here, the jury found that Apple's accused devices do not infringe claims 15 and 16 of the '516 Patent. Without infringement or evidence of infringing use, there can be no exhaustion. Accordingly, the Court GRANTS Samsung's motion for judgment as a matter of law that claims 15 and 16 of the '516 Patent are not exhausted. This ruling does not change the outcome in this case because of the jury's non-infringement finding.

The Court need not reach the question of whether Apple's accused devices infringe the '516 Patent as a matter of law, because a finding of infringement would satisfy the final requirement for exhaustion—embodiment—and thus render the patent exhausted. Thus, there would be no liability. Because a ruling on Samsung's motion as to infringement of the '516 Patent cannot change the outcome of this case, the Court does not reach the issues raised in that motion.

3. Samsung's User Interface Patents: Claim 1 of the '460 Patent; Claim 10 of the '893 Patent; and Claim 9 the '711 Patent

Samsung moves for judgment as a matter of law that Apple's accused devices infringe claim 1 of U.S. Patent No. 7,577,460 ("the '460 Patent"); claim 10 of U.S. Patent No. 7,456,893 ("the '893 Patent"); and claim 9 of U.S. Patent No. 7,698,711 ("the '711 Patent"). All three of these asserted claims include a limitation involving the use of "modes." *See* '460 Patent, claim 1 ("E-mail transmission sub-mode"); '893 Patent claim 10 ("photographing mode;" "stored-image display mode"); '711 Patent claim 9 ("MP3 mode"). Apple witnesses testified that Apple's products generally use "apps" rather than "modes." *See* Tr. 3196:15–3197:5 (Dr. Dourish); Tr. 3181:2–8 (Dr. Kim); Tr. 3297:4–7; 3304:12–3306:4 (Dr. Srivastava); Tr. 3232:9–3233:8 (Dr. Givargis). *Cf.* Tr. 2482:15–2483:2 (Samsung expert Dr. Yang testifying that "application programs and modes are different"). Samsung argues that, in spite of this testimony, the record lacked substantial evidence to support the jury's findings that the accused Apple devices use "apps" instead of "modes." Samsung cites contrary testimony, including a statement by an Apple expert that could be interpreted as using "app" and "mode" interchangeably. *See* Mot. at 29 (citing Tr. 3244:8–15). The existence of competing testimony on the distinction between "apps" and "modes" does not entitle Samsung to judgment as a matter of law; it is for the jury to weigh this competing testimony and decide whether the evidence showed that the two were different.

Moreover, there is substantial expert testimony in the record to support the jury's conclusion that even if Apple's products do use modes for some purposes,

Apple's products do not include any of the *claimed* modes. *See* Tr. 3305:5–9 (Dr. Srivastava explaining that "Apple products do not have the portable phone mode; they do not have a camera mode; they do not have the first E-mail transmission sub-mode; they do not have the second E-mail transmission submode; they do not have the display sub-mode."); Tr. 3180:19–3181:8 (Dr. Kim explaining that the iPhone's "modes," such as airplane mode, are different from the iPhone's "apps"); Tr. 3232:25–3233:1 (Dr. Givargis explaining the difference between "MP3 mode" on a Samsung device and a music-playing app on an Apple device). Thus, the record contains substantial evidence to support the jury's finding that Apple's devices do not use the "modes" defined in Samsung's patents. As infringement requires the accused device to satisfy every limitation of the asserted claim, this substantial evidence that the "mode" limitation was not satisfied for any of the patents is sufficient to sustain the jury's finding of non-infringement. Accordingly, the Court DENIES Samsung's motion for judgment as a matter of law that the asserted claims of the '460, '893, and '711 Patents are infringed because there is sufficient evidence in the record that Apple's accused devices do not implement their relevant user interfaces using the claimed "modes."

G. The Trial was not manifestly unfair.

Samsung argues that: (1) the trial time limitation prejudiced Samsung; (2) allowing Apple to point out to the jury which Samsung witness were not called prejudiced Samsung; (3) Samsung's witnesses were barred from making some arguments, where Apple's witnesses were allowed to make other arguments; (4) Samsung was required to lay foundation for documents while Apple was not; (5) Samsung was

forbidden to play advertisements while Apple was not; and (6) Samsung could not use depositions to cross-examine Apple's witnesses while Apple was allowed to used deposition testimony during cross examination. *See* Mot. at 30.

None of these arguments merits a new trial. First, Samsung was offered the option of bifurcating its affirmative case, but chose not to do so. *See* ECF No. 1329 at 2 (minute order and case management order following July 24, 2012 hearing). Furthermore, Samsung and Apple had equal trial time and chose how to best allocate their allotted time. *Id.* Samsung cannot now argue that its own litigation strategy created a manifest injustice that requires a new trial. As the Court observed, "Samsung made a strategic decision to spend more time to cross-examine Apple witnesses during Apple's affirmative case than Apple used to present its affirmative case." 3250:22–3251:1.

Second, Ninth Circuit and other precedent allows parties to point out each other's absent witnesses, as discussed in this Court's Order denying Samsung's Motion to Exclude Examination and Comment on Absent Witnesses, ECF No. 1721. The Court did not simply grant the parties carte blanche to discuss absent witnesses, but warned the parties that it would not tolerate "abuse" of missing witness arguments and continued to rule on missing witness argument objections on a case-by-case basis. *See id.* Moreover, Samsung pointed out in cross-examining one of Apple's experts that the expert could have, but did not, consult with Apple's inventors. Tr. 1878:9–15 ("By the way, are you aware that many of the inventors are working for Apple and they're readily accessible to you if you wanted to speak to them and ask them about their invention and what led to it and their insights

and that sort of thing? Were you aware of that that, that's available to you as an expert for Apple?"). Accordingly, Samsung has not established that it was unfairly prejudiced by Apple's absent witness arguments.

Regarding Samsung's third argument, that Samsung witnesses were unfairly prevented from making their arguments where Apple witnesses were not, the Court excluded untimely disclosed arguments regardless of which side had failed in its duty to disclose. The Court applied uniform standards in excluding testimony. *See, e.g.*, exclusion of the entire testimony of Apple's proposed witness Edward Sittler for untimely disclosure by Apple, ECF No. 1662 at 1; exclusion of testimony about the '915 Patent, the '381 Patent, and the D'308 Patent by Apple's witness Scott Forstall because of Apple's untimely disclosure, ECF No 1563 at 6.

Similarly, regarding Samsung's fourth argument, both parties were required to lay foundation for admitted documents. *See, e.g.*, Tr. 2484:21–2485:3 (sustaining Samsung's objection for lack of foundation); Tr. 1958:2–5 (requiring Apple to lay foundation before proceeding).

Regarding Samsung's fifth argument, that Samsung's advertisements were unfairly excluded where Apple's were admitted, Apple's advertisements were relevant evidence for secondary meaning and fame, elements of Apple's trade dress claims. *See* Final Jury Instructions Nos. 63 (Secondary Meaning); 66 (Fame). Samsung has not established that its advertisements were similarly relevant.

Finally, both parties were allowed to use deposition testimony, and the exclusions and admissions cited by Samsung were admitted or excluded based upon whether the theories being introduced by the parties had been disclosed timely or untimely during discovery. Samsung was allowed to play deposition testimony on cross-examination of witnesses where appropriate. *See, e.g.*, Tr. 1103:2–6 (deposition testimony played in open court during Samsung's cross-examination of Apple witness Peter Bressler).

Accordingly, the trial was fairly conducted, with uniform time limits and rules of evidence applied to both sides. A new trial would be contrary to the interests of justice.

IV CONCLUSION

For aforementioned reasons, the Court GRANTS Samsung's motion for judgment as a matter of law that claims 15 and 16 of the '516 Patent are not exhausted. The Court also grants judgment as a matter of law that Samsung's acts of patent infringement were not willful. However, for the reasons discussed below, the Court DENIES Samsung's motion for judgment as a matter of law in all other respects, and DENIES Samsung's motion for a new trial.

IT IS SO ORDERED.

APPENDIX D

926 F.Supp.2d 1100

UNITED STATES DISTRICT COURT,
N.D. CALIFORNIA,
SAN JOSE DIVISION.

Case No. 11–CV–01846–LHK.

APPLE, INC., a California corporation,

Plaintiff,

v.

SAMSUNG ELECTRONICS CO., LTD., A Korean corporation; SAMSUNG ELECTRONICS AMERICA, INC., a New York corporation; SAMSUNG TELECOMMUNICATIONS AMERICA, LLC, a Delaware limited liability company,

Defendants.

March 1, 2013.

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ORDER RE: DAMAGES

LUCY H. KOH, District Judge.

In this patent case, a jury found that a range of Samsung products infringe several of Apple's design and utility patents, and that several Samsung products dilute Apple's trade dress. The jury awarded $1,049,343,540.00 in damages, and provided a breakdown of this award by Samsung product. In their post-trial motions, the parties have raised a number of issues concerning the damages in this case. Specifically, Apple has requested additur, supplemental damages, and prejudgment interest, *see* Apple's Motion for Judgment as a Matter of Law ("Apple JMOL"), ECF No. 2002, and Samsung has moved for a new trial on damages or for remittitur, *see* Samsung's Motion for Judgment as a Matter of Law ("Samsung JMOL"), ECF No. 2013. The Court will address each of these requests in turn.

I. ADDITUR

Apple has requested that the Court increase the damages award for five products because the jury awarded less than the amount calculated by Samsung's damages expert.[1] *See* Apple JMOL at 18. However,

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[1] Apple also suggests that the Court should ignore the product-by-product amounts provided by the jury, and should consider only the aggregate total amount. However, Apple provides no

there is a longstanding rule that the Seventh Amendment prohibits a judicial increase in a damages award made by a jury. *See Dimick v. Schiedt*, 293 U.S. 474, 486–87, 55 S.Ct. 296, 79 L.Ed. 603 (1935). Apple argues that that prohibition does not apply here because there is no dispute about the proper amount of damages. That is simply not the case. The amount of damages is heavily disputed here, as evidenced by extensive testimony provided by both parties concerning the proper amount of compensation. The jury was "not bound to accept the bottom line provided by any particular damages expert," *In re First Alliance Mortg. Co.*, 471 F.3d 977, 1002 (9th Cir.2006), but rather was free to evaluate the testimony of both sides' experts in arriving at its award. It is not the proper role of the Court to second-guess the jury's factual determination as to the proper amount of compensation. Accordingly, Apple's motion for an increase in the jury's damages award is DENIED.

II. SUPPLEMENTAL DAMAGES

Apple seeks an award of supplemental damages for infringing sales not considered by the jury. The Court agrees that an award of supplemental damages is necessary here. Section 284 requires that the Court award compensation for every infringing sale, and the Federal Circuit has held that where the jury does not make an award, the Court must do so. *See Finjan, Inc. v. Secure Computing Corp.*, 626 F.3d 1197 (Fed.Cir.2010). The parties do not dispute that there are sales for which the jury did not make an award, because they occurred after the trial had concluded.

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authority for the argument that the Court should not consider the jury's specific findings. The Court will thus consider the jury's award for each product.

Because the Court must make an award for any sale for which the jury did not, an award of supplemental damages is required.

There are three primary issues the Court must address in resolving Apple's request for supplemental damages: (1) the date from which the award should begin; (2) whether the law permits supplemental damages for post-verdict sales where an award of infringer's profits is made pursuant to 35 U.S.C. § 289; and (3) the proper method for calculating post-verdict damages in a case where the jury made no determination as to royalty rate.

First, regarding the date from which the award should be made, Apple argues that the supplemental damages award should include sales beginning on July 1, 2012, because the evidence presented to the jury ran only through June 30, 2012. Samsung argues that the jury considered all the sales made through the date of the verdict, whether or not explicit evidence of those sales was presented at trial, and thus, the supplemental damages award should begin on August 25, 2012 (the day after the verdict). There is no clear statement in the case law as to which approach is correct. While it is true that the jury did not hear evidence of sales between June 30 and August 24, it is also possible that the jury considered this fact in arriving at its ultimate award. Thus, there are reasons to support either date. However, the Federal Circuit recently affirmed a portion of a district court order refusing to grant supplemental damages for sales made before the verdict. The Court explained that the Plaintiff "could have-but did not-argue to the jury that its suggested amount . . should be proportionally increased for the two months not accounted for in the sales data," and that "[u]nder these circumstances,

awarding additional amounts of damages incurred before trial would be an improper invasion of the jury's province to determine actual damages and an inappropriate use of 35 U.S.C. § 284 to enhance inadequate compensatory damages." *Presidio Components Inc. v. Am. Technical Ceramics Corp.*, 08–CV–335–IEG, 2010 WL 3070370 (S.D.Cal. Aug. 5, 2010) *aff'd in part, vacated in part*, 702 F.3d 1351 (Fed.Cir.2012) (internal citation omitted). The same is true here; nothing precluded Apple from arguing that the jury should consider sales from June 30 through August 24, or from presenting evidence on how to estimate such sales. Thus, consistent with the *Presidio Components* decision, the Court intends to calculate the supplemental damages award beginning on August 25, 2012, the day after the verdict.

Second, regarding the question of whether a supplemental damages award is appropriate where the jury's award was made, at least in part, pursuant to § 289, the law is not clear. Both parties have made arguments, but neither party has cited, and the Court is not aware of, any cases squarely addressing the issue of whether supplemental damages are appropriate for an award of infringer's profits made under § 289.

Samsung argues that no supplemental damages may be awarded where the jury's award included infringer's profits under § 289, because the purpose of supplemental damages is purely to compensate the plaintiff, where an award of infringer's profits goes beyond compensation. This argument is belied by the approach courts have taken to enhancements in the context of supplemental damages. Specifically, courts have allowed a supplemental damages award pursuant to § 284 to be doubled for continuing willful infringement. *See Aero Products Int'l, Inc. v. Intex*

Recreation Corp., 02 C 2590, 2005 WL 1498667 (N.D.Ill. June 9, 2005). This outcome is clearly inconsistent with Samsung's contention that supplemental damages serve solely to compensate. Moreover, courts have recognized that supplemental damages serve to prevent the "inefficient and unhelpful" outcome of a second suit being filed to collect damages for post-verdict, prejudgment sales. *Hynix Semiconductor Inc. v. Rambus Inc.*, 609 F.Supp.2d 951, 961 (N.D.Cal.2009). Damages under § 289 would be available in a follow-on suit, and so should be available in this procedure designed to avoid such a suit.

Moreover, although § 289 does not contain § 284's explicit instruction that "[w]hen the damages are not found by a jury, the court shall assess them," § 289 does specify that "[n]othing in this section shall prevent, lessen, or impeach any other remedy which an owner of an infringed patent has under the provisions of this title." However, in cases where both design and utility patents are infringed in a single product, an award made pursuant to § 289 compensates plaintiffs for both types of infringement. *See Catalina Lighting, Inc. v. Lamps Plus, Inc.*, 295 F.3d 1277, 1291 (Fed.Cir.2002). A prohibition on supplemental damages where an award is made pursuant to § 289 would thus run afoul of this requirement that other patent remedies, which include supplemental damages, remain available.

In sum, the purposes of supplemental damages and the text of §§ 284 and 289 indicate that supplemental damages are, indeed, available for awards made pursuant to § 289, in addition to awards made pursuant to § 284.

Finally, regarding the proper method for calculating supplemental damages, as other courts in this district have noted, the cases discussing supplemental damages in the patent context are few. *See Hynix*, 609 F.Supp.2d at 960. In most of those cases, a jury determined what the appropriate royalty rate would be, allowing the court to simply apply the jury's stated methodology to the proven or estimated post-verdict sales. *See, e.g., Finjan*, 626 F.3d at 1212 ("The district court granted Finjan additional damages by multiplying the jury's royalty rates against previously uncalculated sales."); *Hynix*, 609 F.Supp.2d at 964 ("Although the existing case law on supplemental damages does not explain why, it recommends applying the royalty rates determined by the jury."); *see also Presidio Components*, 702 F.3d 1351. Here, the jury did not make a finding as to the appropriate royalty rate, and the Court cannot now do so without trenching on Samsung's Seventh Amendment right to a jury trial on that issue. *See Boston Scientific Corp. v. Johnson & Johnson*, 550 F.Supp.2d 1102, 1122 (N.D.Cal.2008) ("Even if there were evidence sufficient for the Court, as opposed to the jury, to determine a reasonable royalty, doing so at this point would violate BSC's Seventh Amendment rights."). However, in applying the same royalty rate used by the jury, courts have explained that the rationale for continuing the jury's award, rather than using some other method, is that there is an "absence of any meaningful distinction between pre-verdict and post-verdict infringement." *Hynix*, 609 F.Supp.2d at 965. Under this rationale, it would be appropriate for the Court to attempt to award supplemental damages consistent with the jury's award.

In this case, Apple has proposed dividing the jury's total damages award for all products by the total number of sales for all products to determine a per-sale amount, which the Court could then multiply by the number of post-verdict sales. The Court does not find this type of averaging appropriate, as the jury's awards for different products differed significantly, and only a few of the products for which the jury made an award have remained on the market post-verdict. Rather, it would be more appropriate to determine the per-sale amount on a product-by-product basis, and use that per-sale amount to determine the supplemental damages amount for each product that has remained on the market for any post-verdict period. Because the jury returned an award for each product separately, the Court can simply divide the jury award for each product by that product's number of sales to calculate this per-product amount.

This leaves the question of the actual number of post-verdict sales. Apple has proposed an elaborate method of estimating the appropriate number of sales. The Court finds that there is no need to estimate because the parties can present evidence of the actual number of sales. Moreover, courts have found it appropriate to delay orders for the submission of such evidence and hearings thereon pending the resolution of appeals, to "avoid potentially unnecessary expenditures of time and money in preparing such an accounting." *Itron, Inc. v. Benghiat*, 2003 WL 22037710, at *16 (D.Minn.2003); *see also Eolas Technologies, Inc. v. Microsoft Corp.*, 2004 WL 170334 at *8 (N.D.Ill.2004), *vacated in part on other grounds*, 399 F.3d 1325 (Fed.Cir.2005) ("I grant the motion and will require an accounting after any appeal in this case is terminated."). In the instant case, one of this Court's post-trial orders has already been appealed to the

Federal Circuit, and the parties have indicated that more appeals are anticipated. Moreover, as discussed above, there are complex issues with regard to supplemental damages for which there is no clear precedent. Thus, proceeding without the Federal Circuit's guidance may cause unnecessary expenditures of time and resources. Given the number and complexity of the issues in this case that remain unresolved, the Court finds that it would be appropriate to delay the consideration of evidence of actual post-verdict sales until after the completion of the appeals in this case.

III. PREJUDGMENT INTEREST

The purpose of prejudgment interest is to "compensate[ ] the patent owner for the use of its money between the date of injury and the date of judgment." *Oiness v. Walgreen Co.*, 88 F.3d 1025, 1033 (Fed. Cir.1996). The Court has considerable discretion in awarding prejudgment interest in patent cases. *See Bio–Rad Labs., Inc. v. Nicolet Instrument Corp.*, 807 F.2d 964, 969 (Fed.Cir.1986). However, "prejudgment interest should ordinarily be awarded absent some justification for withholding such an award." *General Motors Corp. v. Devex Corp.*, 461 U.S. 648, 657, 103 S.Ct. 2058, 76 L.Ed.2d 211 (1983). Although *Devex* addressed a royalty award under § 284, the Federal Circuit has also upheld awards of prejudgment interest on awards of infringer's profits under § 289. *See Catalina Lighting*, 295 F.3d at 1292.

Several of the products for which the jury made a damages award here involved not just patent infringement, but also Lanham Act claims, and thus resulted in damages awards that, pursuant to *Aero Products Intern., Inc. v. Intex Recreation Corp.*, 466

F.3d 1000 (Fed.Cir.2006), compensate Apple for both trade dress dilution and patent infringement. The law is not clear on whether prejudgment interest may be awarded for Lanham Act claims. The Ninth Circuit has suggested that prejudgment interest is not available for Lanham Act claims not involving counterfeiting. *See Moscow Distillery Cristall v. Pepsico, Inc.*, 141 F.3d 1177 (9th Cir.1998) ("Prejudgment interest is available under the Lanham Act only for counterfeiting."). On the other hand, the Ninth Circuit has also upheld an award of prejudgment interest in a Lanham Act case that did not involve counterfeiting. *See Clamp Mfg. Co., Inc. v. Enco Mfg. Co., Inc.*, 870 F.2d 512, 514 (9th Cir.1989).

However, the Court sees no need to resolve this conflict here. An award that is made to compensate both for trade dress dilution and for patent infringement is, in part, an award for patent infringement. *See Aero Products*, 466 F.3d at 1019. Because prejudgment interest is clearly appropriate for this award based on patent infringement, the Court finds that there would be no reason to forbid prejudgment interest simply because the award also compensates for a Lanham Act violation, even if the Lanham Act did not separately authorize prejudgment interest. Thus, the Court finds that Apple is entitled to prejudgment interest.

The parties have proposed two different rates for calculating interest. Apple has proposed the prime rate. Apple JMOL at 29. Samsung suggests that the lower 52–week Treasury bill rate would be more appropriate here. Samsung Opp'n at 30. In determining the appropriate rate, courts have considered whether, during the period of infringement, the plaintiff "borrowed money at a higher rate, what that rate was, or that there was a causal connection

between any borrowing and the loss of the use of the money awarded as a result of [the defendant's] infringement." *Laitram Corp. v. NEC Corp.*, 115 F.3d 947, 955 (Fed.Cir.1997). Such factors would make an award at a higher rate more appropriate. Here, Apple maintains substantial cash reserves and there is no evidence that Apple borrowed any money because it was deprived of the damages award. Thus here, as in *Laitram*, the Court finds that the 52–week Treasury Bill Rate is sufficient.

The parties also disagree about the appropriateness of compounding: Apple is in favor of annual compounding, and Samsung objects to any compounding. The Federal Circuit has explained that "the determination whether to award simple or compound interest similarly is a matter largely within the discretion of the district court," and that both simple and compound interest awards have been upheld. *Gyromat Corp. v. Champion Spark Plug Co.*, 735 F.2d 549, 557 (Fed.Cir.1984). Apple has submitted expert evidence that compounding is appropriate here, *see* Robinson Decl. at ¶ 18 & Exh. 4, and Samsung has presented no evidence to the contrary. The Court finds that compounding more closely approximates the actual borrowing costs Samsung would have faced. Accordingly, when the appeals are resolved, and the final damages amount settled, the Court will award prejudgment interest at the 52–week Treasury Bill Rate, compounded annually.

IV JURY'S DAMAGES AWARD

A. Permissibility of examining nature of award

Samsung argues that it is apparent, from the damages amount the jury returned, that some of the awards rested on impermissible legal theories. Apple

argues that the Court should not consider how the jury arrived at its award, but should rather only look at the final number, and consider whether that number could have been supported by the evidence in the record as a whole.

Apple is correct that courts are generally required to give great deference to jury awards, and to uphold them where they are supportable by the evidence in the record. *See Los Angeles Mem'l Coliseum Comm'n v. NFL*, 791 F.2d 1356 (9th Cir.1986); *Yeti by Molly Ltd. v. Deckers Outdoor Corp.*, 259 F.3d 1101 (9th Cir.2001); *Revolution Eyewear, Inc. v. Aspex Eyewear, Inc.*, 563 F.3d 1358 (Fed.Cir.2009). These cases address the general question of whether a damages award is supported by sufficient evidence in the record. However, the Ninth Circuit case most analogous to the present case recognized an exception to this general principle of deference in cases where it is readily apparent from the numbers that the jury applied an impermissible legal theory in arriving at its award. *See In re First Alliance Mortgage Co.*, 471 F.3d 977 (9th Cir.2006). In *First Alliance Mortgage*, the Ninth Circuit observed that the jury's damages number was the precise numerical average "to the dollar" of the amounts proposed by the two competing damages experts. *Id.* at 1002. One of the experts, however, presented a theory that the Court had ruled legally impermissible. Though the Court gave a curative instruction, explicitly telling the jury that it was not allowed to apply that theory, the amount of the award made plain that the jury had applied the impermissible theory anyway. Because the award was clearly based in part on an impermissible legal theory, the Ninth Circuit held that it had been error for the district court to "bend over backwards" to identify some conceivable theory on which the jury might

properly have made the same award. The Federal Circuit has applied similar reasoning (though never in a case dispositive manner). *See Lucent Technologies v. Gateway*, 580 F.3d 1301, 1303 (Fed.Cir.2009).

In this case, it is apparent that the jury awarded 40% of Apple's expert Terry Musika's calculation of Samsung's profits for a wide range of products, and in some cases, added the same expert's calculation for Apple's lost profits. Moreover, it is clear that for several products, the jury awarded exactly half of the reasonable royalty award proposed by Mr. Musika. As in *First Alliance Mortgage*, these numbers are "to the dollar;" it is thus quite apparent how the jury arrived at them. Indeed, Apple does not dispute this inference in its opposition, relying instead on the purported impermissibility of acknowledging what is apparent. The chart below details the formulas the jury apparently used. All percentages correspond to an exact and consistent percentage of the amount Mr. Musika testified was warranted for each category.

Samsung Product	Jury Award	Formula
Captivate	$ 80,840,162	40% of Samsung's Profits
Continuum	$ 16,399,117	40% of Samsung's Profits
Droid Charge	$ 50,672,869	40% of Samsung's Profits

Epic 4G	$130,180,896	40% of Samsung's Profits
Exhibit 4G	$ 1,081,820	50% of Apple's Royalties
Fascinate	$143,539,179	100% of Apple's Lost Profits + 40% of Samsung's Profits
Galaxy Ace	$0	n/a (no award)
Galaxy Prevail	$ 57,867,383	40% of Samsung's Profits
Galaxy S (i9000)	$0	n/a (no award)
Galaxy S 4G	$ 73,344,668	100% of Apple's Lost Profits + 40% of Samsung's Profits
Galaxy S II AT & T	$ 40,494,356	40% of Samsung's Profits
Galaxy S II i9100	$0	n/a (no award)

Galaxy S II T–Mobile	$ 83,791,708	40% of Samsung's Profits
Galaxy S II Epic 4G Touch	$100,326,988	40% of Samsung's Profits
Galaxy S II Skyrocket	$ 32,273,558	40% of Samsung's Profits
Galaxy S II Showcase	$ 22,002,146	100% of Apple's Lost Profits + 40% of Samsung's Profits
Galaxy Tab	$ 1,966,691	50% of Apple's Royalties
Galaxy Tab 10.1 WiFi	$ 833,076	n/a (no calculation apparent)
Galaxy Tab 10.1 4G LTE	$0	n/a(no award)
Gem	$ 4,075,585	40% of Samsung's Profits
Indulge	$ 16,011,184	40% of Samsung's Profits

Infuse 4G	$ 44,792,974	40% of Samsung's Profits
Intercept	$0	n/a (no award)
Mesmerize	$ 53,123,612	100% of Apple's Lost Profits + 40% of Samsung's Profits
Nexus S 4G	$ 1,828,297	50% of Apple's Royalties
Replenish	$ 3,350.256 [sic]	50% of Apple's Royalties
Transform	$ 953,060	50% of Apple's Royalties
Vibrant	$ 89,673,957	100% of Apple's Lost Profits + 40% of Samsung's Profits

Under *First Alliance Mortgage*, this Court cannot ignore the import of these numbers, even if the evidence as a whole could have supported an award of a similar, or even higher, amount. Accordingly, the Court will consider which of these awards entailed the

use of an impermissible legal theory, and what the appropriate response is.

B. Appropriate Response to Excessive Award

When a Court detects an error in the jury's damages verdict, the Court has two choices: the Court may order a new trial on damages, or the Court may reduce the award to a supportable amount. If the Court chooses the latter option, known as remittitur, the prevailing party then has the option of demanding a new trial on damages or accepting the reduced award. *See, e.g., Hynix Semiconductor Inc. v. Rambus Inc.*, No. CV–00–20905–RMW, 2006 WL 1991760 (N.D.Cal. July 14, 2006).

The Court generally may not award any amount lower than the maximum amount that would have been supportable by the evidence. *See D & S Redi–Mix v. Sierra Redi–Mix & Contracting Co.*, 692 F.2d 1245, 1249 (9th Cir.1982) ("Although this circuit has not stated its position, others consistently approve remitting the judgment to the maximum amount sustainable by the proof. This rule prevents the court's substitution of its judgment for that of the jury. We adopt this standard.") (internal citations omitted). The Federal Circuit also uses this so-called "maximum recovery rule." *See Unisplay, S.A. v. Am. Elec. Sign Co., Inc.*, 69 F.3d 512, 519 (Fed.Cir.1995)("When calculating an amount to remit, in order to encourage use of the efficient remittitur option, we will follow the 'maximum recovery rule,' which requires that the determination be based on the highest amount of damages that the jury could properly have awarded based on the relevant evidence."). The theory underlying this practice is that it carries out the jury's intention to the extent permissible by law, and thus

remains consistent with both parties' Seventh Amendment right to a jury trial. *See Dimick*, 293 U.S. at 486, 55 S.Ct. 296 ("Where the verdict is excessive, the practice of substituting a remission of the excess for a new trial is not without plausible support in the view that what remains is included in the verdict along with the unlawful excess-in that sense that it has been found by the jury-and that the remittitur has the effect of merely lopping off an excrescence.").

However, there is an exception to this rule, wherein the Court may remit an excess amount where the excess is readily identifiable as such, even if the resulting award does not necessarily correspond to the maximum amount supportable by the evidence. *See, e.g., Cornell Univ. v. Hewlett–Packard Co.*, 609 F.Supp.2d 279, 292 (N.D.N.Y.2009) *amended*, 01–CV–1974, 2009 WL 1405208 (N.D.N.Y. May 15, 2009) (Rader, J., by designation) (multiplying jury's explicitly stated royalty rate by lower royalty base Court found as a matter of law); *Joiner Sys., Inc. v. AVM Corp., Inc.*, 517 F.2d 45, 49 (3d Cir.1975) (jury calculated damages per square feet and number of square feet; Court found a lower number of square feet supportable by evidence, and multiplied jury's amount per square foot by the new, smaller number of square feet). Though the jury in the present case did not make an explicit finding as to what percentage of Apple's requested amount it deemed appropriate for each product, it is apparent from the amount of the award, which is "to the dollar" an exact and consistent percentage of Mr. Musika's amount. *See First Alliance Mortgage*, 471 F.3d 977. Thus, this multiplier is analogous to a jury's finding of an appropriate royalty rate. Accordingly, where the Court can detect a specific amount that ought to be subtracted from the award because of an identifiable error while otherwise

preserving the jury's findings as to damages, the Court may offer Apple the option of remittitur in that amount, or a new trial.

The Court will now consider each of Samsung's allegations of error in the jury's award, and will determine which of these responses is appropriate for each situation.

C. Specific allegations of error

1. Design Patent / Trade dress apportionment

First, Samsung argues that for Apple to be entitled to Samsung's profits for design patent infringement, Apple was required to prove which portions of Samsung's profits were earned by the patented design features. Samsung reasons that Apple's expert presented a damages calculation for all of Samsung's profits on the design-patent-infringing products, but that Apple never proved that Samsung's alleged acts of design patent infringement were responsible for all of Samsung's profits. Thus, Samsung argues, each award that includes an award of Samsung's profits for design patent infringement must be set aside.

This argument is clearly foreclosed by Federal Circuit precedent. As explained in *Nike Inc. v. Wal-Mart Stores, Inc.*, 138 F.3d 1437, 1442–43 (Fed. Cir.1998), Congress specifically drafted the design patent remedy provisions to remove an apportionment requirement that the Supreme Court had imposed. Thus, there is simply no apportionment requirement for infringer's profits in design patent infringement under § 289.

Next, Samsung argues that Apple presented no evidence that could have supported the jury's award of Samsung's profits for trade dress dilution. However,

there are no products for which the jury found trade dress dilution without design patent infringement. Thus, the jury's award for these products could be supported by design patent infringement alone, which, as explained above, does not require apportionment. Therefore, even if there were no evidence to support a trade dress dilution award, the award as a whole would be supportable on the basis of design patent infringement. Because the award as a whole is supportable irrespective of Samsung's trade dress apportionment theory, the Court need not consider whether there was sufficient evidence in the record to independently justify the jury's award for these products on the basis of trade dress dilution. In sum, the Court finds that the jury's award is not excessive on the basis of apportionment for design patent or trade dress damages.

2. Entitlement to lost profits

Samsung next argues that Apple has not established entitlement to lost profits, and that accordingly, all of the awards that include a lost profits component must be set aside. "To recover lost profits, 'a patent owner must prove a causal relation between the infringement and its loss of profits.' In other words, the burden rests on the patentee to show a reasonable probability that 'but for' the infringing activity, the patentee would have made the infringer's sales." *Crystal Semiconductor Corp. v. TriTech Microelectronics Int'l, Inc.*, 246 F.3d 1336, 1353 (Fed.Cir.2001)(quoting *BIC Leisure Prods., Inc. v. Windsurfing Int'l, Inc.*, 1 F.3d 1214, 1218, 27 U.S.P.Q.2d 1671, 1674 (Fed. Cir.1993)). The Court's task here is to review whether there is sufficient evidence to support a jury's lost profit award. *See Crystal Semiconductor*, 246 F.3d at 1355–57 ("Between Crystal's unadjusted market

share, the testimony of TriTech's and OPTi's experts, and the testimonies of Crystal's other fact witnesses, the record supplied sufficient evidence to support the jury's 35% lost profit award"); *Ericsson, Inc. v. Harris Corp.*, 352 F.3d 1369, 1377 (Fed.Cir.2003) ("We agree with Ericsson that substantial evidence supports the jury's damages award for lost profits due to lost sales.").

Here, Apple presented the testimony of Apple's damages expert, Terry Musika. Mr. Musika provided detailed evidence regarding how the market would likely have behaved absent Samsung's infringement, including: (1) the market share of various smartphone manufacturers, based on data collected and analyzed by independent research firm IDC (including Apple, Samsung, and other manufacturers, to whom he assigned the largest market share)(PX25A1.8; Tr.2084:23–2085:9); (2) Apple's capacity to manufacture additional phones and tablets (PX25A1.14–15; Tr.2085:13–2086:3); and (3) consumer demand, based on both expert survey evidence and fact witness testimony (Tr.2076:3–2077:8). The Federal Circuit has noted that it "has affirmed lost profit awards based on a wide variety of reconstruction theories where the patentee has presented reliable economic evidence of 'but for' causation." *Crystal Semiconductor*, 246 F.3d at 1355. Mr. Musika's opinion reconstructs the market based on market share, capacity, and demand, thus demonstrating how many additional sales Apple would likely have made, but for Samsung's infringement. This constitutes exactly the type of economic evidence of causation that the Federal Circuit requires in sustaining an award of lost profits. Accordingly, the Court finds that the record supported a jury award of lost profits. The Court thus declines to set aside the jury's damages awards that include Apple's lost profits

on the grounds that Apple has not proven entitlement to lost profits.

3. The Galaxy Prevail: Award of Samsung's Profits

For the Galaxy Prevail, the jury awarded $57,867,383, which is 40% of Apple's calculation of Samsung's profits. The Galaxy Prevail, however, was found to infringe only utility patents. As the Court instructed the jury, infringer's profits are not a legally permissible remedy for utility patent infringement. *See* Final Jury Instruction Nos. 36 (utility patent lost profits); 40 (utility patent reasonable royalty); 54 (design patent defendant's profits); 55 (design patent lost profits); 56 (design patent reasonable royalty). Accordingly, as in *First Alliance Mortgage*, it is apparent that the jury failed to follow the Court's instructions on the law, and awarded damages based on a legally impermissible theory. This award cannot stand.

The jury's award was apparently based on Samsung's profits, which is an impermissible type of compensation for utility patent infringement. Thus, rather than including some identifiable portion of excess, such as particular sales for which there should have been no damages, the entire award was tainted. Further, the jury did not award the full amount Apple requested for Samsung's lost profits, but rather awarded only 40% of Apple's requested amount of $142,893,684. Thus, it does not appear that awarding the full amount that Apple requested for either of the two permissible forms of compensation for utility patents (Apple's lost profits, for which Apple requested $8,573,370, or a reasonable royalty, for which Apple provided no calculation), which is the usual method for calculating a remittitur, could reasonably be thought to represent

the jury's award, stripped only of the impermissible excess. *Cf. Dimick*, 293 U.S. at 486, 55 S.Ct. 296. Accordingly, the Court cannot reasonably and fairly calculate an appropriate remittitur.

Nor can the Court, having identified the impermissible legal theory on which the jury made its award, turn a blind eye or "bend over backwards" to find a possible permissible justification for the amount awarded. *See First Alliance Mortgage*, 471 F.3d at 977. Accordingly, the Court hereby ORDERS a new trial on damages for the Galaxy Prevail.

4. Notice dates

Samsung next contends that a new trial is warranted, or, in the alternative, that the Court should remit the jury's award, because the jury based its awards on Mr. Musika's calculations that used a notice date that was not supported by any evidence at trial. This argument is essentially two separate motions: (1) a motion for judgment as a matter of law that the evidence does not support any notice dates earlier than the filing of the relevant complaints for any patent except the '381 Patent; and (2) a motion for new trial on damages or remittitur because the jury made its award based on incorrect early notice dates. The Court will address the question of appropriate notice dates first, and will then consider what effect this may have on the damages award.

Under 35 U.S.C. § 287(a), there can be no damages award where a defendant did not have actual or constructive notice of the patent or registered trade dress at issue. Thus, it is improper to award damages for sales made before the defendant had notice of the patent, and an award that includes damages for sales made before notice of any of the intellectual property

("IP") infringed is excessive as a matter of law. Moreover, different types of IP allow for different types of damages awards. Specifically, damages for utility patent infringement may take the form of lost profits or a reasonable royalty, *see* 35 U.S.C. § 284; damages for trade dress dilution may take the form of lost profits and/ or infringer's profits, *see* 15 U.S.C. § 1125; and damages for design patent infringement may include lost profits, a reasonable royalty, or infringer's profits, *see* 35 U.S.C. § 289. Accordingly, it is also erroneous to award infringer's profits for a time period where the defendant had notice only of utility patents, because infringer's profits are not an authorized form of damages for utility patent infringement.

The parties dispute whether Apple had given Samsung notice of each of the patents prior to the filing of the complaint and the amended complaint, which the parties agree gave Samsung notice of all of the asserted IP. Regarding the '381 Patent, Apple has presented evidence that Apple specifically put Samsung on notice of that patent in a meeting between Apple and Samsung on August 4, 2010. *See* PX52.12–PX52.16 (Apple's presentation listing specific patents, including the '381 Patent). Samsung argues that there is no evidence that Apple gave Samsung actual notice of alleged infringement of any specific patents other than the '381 Patent prior to the filing of the complaint on April 15, 2011, which gave notice of three Apple patents and Apple's registered trade dress, or the amended complaint on June 16, 2011, which gave notice of all the remaining Apple patents. Apple argues that the August 4, 2010 meeting put Samsung on sufficient notice of all of the asserted IP, even though the specific list of patents included only the '381 Patent.

Section 287 requires not only notice that a product allegedly infringes some unspecified patents, but notice of what specific patent the product is accused of infringing. This notice can be accomplished by marking the patented product with the patent number ("constructive notice"). *See* 35 U.S.C. § 287(a); *Minks v. Polaris Indus., Inc.*, 546 F.3d 1364, 1376–77 (Fed.Cir.2008); *Funai Elec. Co., Ltd. v. Daewoo Elecs. Corp.*, 616 F.3d 1357, 1373 (Fed.Cir.2010). Alternatively, a notice can be delivered directly to the accused infringer ("actual notice"). *Funai*, 616 F.3d at 1373. Like constructive notice, actual notice appears to require that the accused infringer be informed of the specific patents it is accused of infringing. *See, e.g.*, *Minks*, 546 F.3d at 1366–67 (conducting notice analysis for a specific patent); *Gart v. Logitech, Inc.*, 254 F.3d 1334, 1346–47 (Fed.Cir.2001)(same).

Apple contends that notice need not identify the specific patent at issue. However, Apple cites only one case finding actual notice without actual disclosure of a specific patent number, a 1992 case from the District of Massachusetts that does not itself cite any case holding that actual notice is possible without an actual patent number. *See Ceeco Machinery Manufacturing, Ltd. v. Intercole, Inc.*, 817 F.Supp. 979 (D.Mass.1992).

As an initial matter, *Ceeco* was an unusual case. The *Ceeco* Court explained that:

> To the extent that [the plaintiff's] warning was less explicit than would typically be required, [the defendant] appears to be largely responsible ... By [defendant's] own admission, [defendant] continued to reassure [plaintiff] that it had not purchased [an accused machine] well after it in fact had. The provision for giving actual notice would be

> rendered meaningless if defendants could evade such notice by deliberately concealing their infringement.

817 F.Supp. at 987. In other words, the plaintiff did not give specific notice because the defendant continued to lie to the plaintiff to deliberately conceal defendant's infringement. There are no allegations of such deception here.

Furthermore, the *Ceeco* Court reasoned that if a defendant knows that its product is accused of infringing some unspecified patent that also covers a known competitor product, that defendant has sufficient notice of the patent, even without specific knowledge of the actual patent at issue. This reasoning is unpersuasive, and has never been adopted by the Federal Circuit. This kind of non-specific notice is insufficient because a patent may have a broad or narrow scope, and a product may be covered by a multitude of patents, and also include many unpatented features. Mere notice that some unknown patent allegedly covers some aspect of both the accused product and the competitor product does not provide meaningful notice as to what patented territory the accused device is alleged to infringe upon. The wide variety of patents covering the complex products in this very case illustrates this problem well. In sum, the Court finds that where a plaintiff relies on actual, rather than constructive notice, the notice must include the specific patents at issue.

Apple argues that Samsung received actual notice for all of its asserted acts of infringement at the August 4, 2010 meeting between the parties. However, Apple cites no evidence whatsoever that any patent-in-suit other than the '381 Patent was specifically identified during the meeting. Instead, Apple points to

general comparisons drawn at that meeting between the industrial design and user interfaces of the iPhone 3GS and the Galaxy S, as well as references to general "user interface" patents. *See* PX52 (Apple's presentation). A side-by-side comparison of the iPhone 3GS and the Galaxy S that implies that the iPhone 3GS embodies some unspecified design and utility patents that may be infringed by the Galaxy S, however, does not provide notice of the specific patents alleged to be infringed, as required to satisfy § 287(a)'s notice requirement. Accordingly, the Court finds that the August 4, 2010 date is not supported by evidence in the record for any patent other than the '381 Patent.

Apple does not suggest that any notice occurred between the August 4, 2010 meeting and the filing of the original complaint on April 15, 2011. The original complaint gave Samsung notice of the '915 and D'677 Patents. Thus, the correct notice date for the '915 and D'677 Patents is April 15, 2011.

Apple also does not suggest any notice occurred on any date between the April 15, 2011 filing of the original complaint, and the filing of the amended complaint on June 16, 2011. The amended complaint gave Samsung notice of the '163, D'305 D'889 and D'087 Patents. Thus, the correct notice date for the '163, D'305 D'889 and D'087 Patents is June 16, 2011.

In sum, Samsung is entitled to judgment as a matter of law that the earliest notice dates supported by the evidence are: August 4, 2010 for the '381 patent; April 15, 2011 for the '915 and D'677 Patents; and June 16, 2011 for the '163, D'305, D'889 and D'087 Patents.

The damages numbers Mr. Musika presented to the jury were based on the August 4, 2010 notice date for all patents. *See* PX25A at 4, 5. Thus, the jury's awards

for patent infringement, which are based on Mr. Musika's numbers using the early notice dates, may have contained some amount of excess compensation covering the period before Samsung had notice of the relevant IP, depending on the combination of IP infringed. The following chart indicates the correct notice dates, available remedies, and infringing products for each form of IP:

IP	Notice Date	Available Remedies[2]	Products Infringing
'381 Patent	August 4, 2010	Reasonable Royalty or Lost Profits	Captivate, Continuum, Droid Charge, Epic 4G, Exhibit 4G, Fascinate, Galaxy Ace, Galaxy Prevail, Galaxy S i9000, Galaxy S 4G, Galaxy S II AT & T, Galaxy S II

[2] A reasonable royalty represents the minimum amount of permissible damages for utility and design patent infringement. *See* 35 U.S.C. § 284. Plaintiffs are entitled to lost profits instead of a reasonable royalty only if they can prove that but for the infringement, they would have earned those profits. *See Crystal Semiconductor*, 246 F.3d at 1354 ("[A] patentee may obtain lost profit damages for that portion of the infringer's sales for which the patentee can demonstrate 'but for' causation and reasonable royalties for any remaining infringing."). In addition, for design patent infringement, 35 U.S.C. § 289 also provides "an alternate remedy" of infringer's profits, *see Nike*, 138 F.3d at 1439, which a plaintiff may seek in lieu of lost profits or a reasonable royalty.

			i9100, Galaxy Tab, Galaxy Tab 10.1 WiFi, Gem, Indulge, Infuse 4G, Mesmerize, Nexus S 4G, Replenish, Transform, Vibrant
'915 Patent	April 15, 2011 (original complaint)	Reasonable Royalty or Lost Profits	Captivate, Continuum Droid Charge, Epic 4G, Exhibit 4G, Fascinate, Galaxy Prevail, Galaxy S i9000, Galaxy S 4G, Galaxy S II AT & T, Galaxy S II i9100, Galaxy S II T–Mobile, Galaxy Tab, Galaxy Tab 10.1 WiFi, Gem, Indulge, Infuse 4G, Mesmerize, Nexus S 4G, Transform, Vibrant
D'677 Patent	April 15, 2011 (original	Infringer's Profits or Reasonable	Fascinate, Galaxy S i9000, Galaxy S 4G, Galaxy S II

	complaint)	Royalty or Lost Profits	AT&T, Galaxy S II i9100, Galaxy S II T–Mobile, Galaxy S II Epic 4G Touch, Galaxy S II Skyrocket, Galaxy S Showcase i500, Infuse 4G, Mesmerize, Vibrant
Registered Trade Dress	April 15, 2011 (original complaint)	Infringer's Profits and Lost Profits (actual damages)	Fascinate, Galaxy S 4G, Galaxy S II AT & T, Galaxy S Showcase i500, Mesmerize, Vibrant
D'889 Patent	June 16, 2011 (amended complaint)	Infringer's Profits or Reasonable Royalty or Lost Profits	None
D'087 Patent	June 16, 2011 (amended complaint)	Infringer's Profits or Reasonable Royalty or Lost Profits	Galaxy S i9000, Galaxy S 4G, Vibrant
D'305 Patent	June 16, 2011 (amended	Infringer's Profits or Reasonable	Captivate, Continuum, Droid

	complaint)	Royalty or Lost Profits	Charge, Epic 4G, Fascinate, Galaxy S i9000, Galaxy S 4G, Galaxy S Showcase i500, Gem, Indulge, Infuse 4G, Mesmerize, Vibrant
Unregistered trade dress	N/A	Infringer's Profits and Lost Profits (actual damages)	Fascinate, Galaxy S i9000, Galaxy S Showcase i500, Mesmerize, Vibrant

Apple has provided to the Court and to the jury the numbers necessary to calculate the infringer's profits and reasonable royalty awards based on Mr. Musika's damages numbers, but with later notice dates. Thus, the Court can, for some products, calculate how much of the jury's award compensated for the sales before Samsung had notice of the relevant IP. Indeed, where the award simply compensated for too many sales, the situation is analogous to cases in which the jury used a royalty base that was not supported by the evidence, and the Court found it permissible to multiply the royalty rate by the correct royalty base. *See Cornell Univ.*, 609 F.Supp.2d at 292. For the products where this type of error occurred, the Court can calculate the appropriate remittitur by multiplying the corrected maximum damages amount, adjusted per Mr. Musika's instructions (*see* Tr. at 2073:21–2074:19;

2163:24–2164:7) to remove the sales before Samsung had notice, by the multiplier used by the jury.

However, for other products, the jury awarded an impermissible *form* of damages for some period of time, because Samsung had notice only of utility patents for some period, but an award of infringer's profits was made covering the entire period from August 4, 2010 to June 15, 2012. For these products, the Court cannot remedy the problem by simply subtracting the extra sales.

The products fall into four distinct categories, depending on the combination of IP infringed and award made. The Court will discuss each in turn.

a. Unregistered Trade Dress Dilution Does Not Require Notice, Thus There Is No Excess Damages Award

Damages for dilution of unregistered trade dress do not require notice for an award of damages. *See PAF S.r.l. v. Lisa Lighting Co., Ltd.*, 712 F.Supp. 394, 401 (S.D.N.Y.1989)("Moreover, the holder of a legal trademark, in this case unregistered trade dress, 'is under no obligation to give advance notice of its rights to an infringer before seeking damages or injunctive relief for infringement.'"); *see also* 4 Callmann on Unfair Comp., Tr. & Mono. § 23:79 (4th Ed.) ("[S]tatutory notice is irrelevant to claims for infringement of an unregistered mark under § 43(a) of the Lanham Act or under state law."). Moreover, infringer's profits are a permissible remedy for dilution of registered and unregistered trade dresses. *See* 15 U.S.C. § 1117(a). Thus, for any product for which the jury found dilution of unregistered trade dress, there can be no excess on the basis of notice dates, because an award of Samsung's profits, the highest amount sought by

Apple, would be permissible for the entire period requested by Apple, from August 4, 2010 through the beginning of trial, based on trade dress dilution alone. Because the award is per sale, rather than per type of IP, *see Aero Products*, 466 F.3d at 1000, as long as the award of infringer's profits is authorized for any given sale, there is no need for the award to be separately authorized for each type of IP. There is thus no excess due to notice dates for the following products, all of which were found to dilute Apple's unregistered trade dress:

Fascinate, Galaxy S 4G, Galaxy S II Showcase, Mesmerize, and Vibrant. Accordingly, the jury's award of $381,683,562 for these 5 products stands.

b. Impermissible Infringer's Profits Award

Next, there are 8 phones for which the jury awarded 40% of Samsung's profits for the entire period, but for which, during some of the damages period, infringer's profits was not an authorized remedy. These phones are: Gem, Indulge, Infuse 4G, Galaxy SII AT & T, Captivate, Continuum, Droid Charge, and Epic 4G. All eight of these phones were found to infringe the '381 Patent, for which the correct notice date is August 4, 2010, and one or more design patents, for which the correct notice dates are later. However, an award based on infringer's profits was made for the entire time, without accounting for the fact that from August 4, 2010 until the filing of the relevant complaint, only a utility patent was infringed, and thus only an award of a reasonable royalty or Apple's lost profits was legally permissible.

The law requires the jury to award some amount of damages for each infringing sale. *See* 35 U.S.C. § 284 ("Upon finding for the claimant the court *shall* award

the claimant damages adequate to compensate for the infringement, but *in no event* less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court.") (emphasis added). Thus, some of the jury's award of Samsung's profits had to compensate for sales between August 4, 2010 and April 15, 2011. However, as explained above, infringer's profits are not a permissible remedy for utility patent infringement. Thus, for these 8 phones, there is clearly a component of the award that is based on an impermissible legal theory, exactly as there was in *First Alliance Mortgage*. The awards for these 8 phones, accordingly, cannot stand.

For all of these products, Apple alleged infringement of a design patent in the April 15, 2011 original complaint or the June 16, 2011 amended complaint. An award of infringer's profits is thus authorized as of the time Samsung had notice of the relevant design patent. It is only the award from August 4, 2010 to the time of the filing of the relevant complaint that is excessive. However, the Court cannot simply trim off the period of the award before notice of the design patents, because the jury found that these 8 products infringed the '381 Patent, for which there *was* notice as of August 4, 2010. If the Court were to simply subtract all of the award made for the period before notice of the design patents, Apple would not be compensated for the sales made when Samsung had notice of the '381 Patent—a scenario that would run afoul of § 284's requirement that there be compensation for each infringing sale. Thus, to determine an appropriate remittitur, the Court would first have to subtract the award of Samsung's profits for the period made before notice of any design patent, and would

then have to add an award to compensate for infringement of the '381 Patent for the period between August 4, 2010 and the appropriate notice date for each product.

However, as with the Galaxy Prevail, the Court cannot determine an appropriate award to replace the jury's impermissible award of Samsung's profits for this time period. Using the maximum amount supported by the evidence for one of the permissible forms of compensation (i.e. a reasonable royalty or Apple's lost profits) would be inconsistent with the jury's awards of 40% of Mr. Musika's calculation of Samsung's profits for these products, or for products for which a reasonable royalty was awarded, 50% of Mr. Musika's calculation of a reasonable royalty. Indeed, using the *maximum* amount the evidence could have supported for Apple's lost profits or a reasonable royalty might even result in an award *greater* than that made by the jury using the impermissible method—an outcome clearly inconsistent with the Seventh Amendment.

Moreover, Mr. Musika did not testify as to how the jury (or the Court) could calculate Apple's lost profits for a shorter time period. Although he did offer testimony as to how to calculate a reasonable royalty for a shorter time period, *see* Tr.2074:4–19, the sales data the parties provided is broken down only by quarter, and is not sufficiently specific to allow the Court to calculate the correct amount for sales in quarters where notice occurred in the middle of the quarter. Thus, the Court cannot calculate the appropriate amount of Apple's lost profits or a reasonable royalty for the '381 Patent for the relevant time period before notice of the other patents. Accordingly, there is no readily identifiable amount that the Court could remit to remedy this problem.

Nor would it be appropriate for the Court to leave the award intact despite the apparent error, simply because there exists some theory on which the jury might have made such an award. Such a ruling would entail precisely the type of "bending over backward" forbidden by *First Alliance Mortgage*. As the Court can neither calculate an appropriate remittitur nor leave the award intact, the only remaining possibility is to conduct a new trial on damages for these 8 products.

Furthermore, it was Apple's strategic decision to submit an expert report using an aggressive notice date for all of the patents. The need for a new trial could have been avoided had Apple chosen a more circumspect strategy or provided more evidence to allow the jury or the Court to determine the appropriate award for a shorter notice period. Accordingly, the Court ORDERS that a new trial be conducted on the amount of damages for the Gem, Indulge, Infuse 4G, Galaxy SII AT & T, Captivate, Continuum, Droid Charge, and Epic 4G, and strikes $383,467,143 from the jury's award.

c. Infringer's Profits Permissible But Damages Period Too Long

For an additional 3 phones, the jury used Mr. Musika's calculations that assumed the August 4, 2010 notice dates for all patents, but none of these phones infringed the '381 Patent, the only Patent for which the August 4, 2010 date was supported. All three of these phones did, however, infringe the D'677 Patent, meaning that Samsung's profits *are* a permissible remedy beginning with the filing of the original complaint. In other words, these phones are similar to the 8 phones discussed above, but they were not found to infringe the '381 Patent, so there is no need to determine an appropriate award for the gap between

August 4, 2010 and the filing of the relevant complaint, and the Court can simply subtract the damages awarded for the extra days without the need to substitute an alternative award. These 3 phones are: Galaxy S II Skyrocket, Galaxy S II Epic 4G Touch, and Galaxy S II T–Mobile.

Samsung had notice of the D'677 Patent by April 15, 2011 (the date of filing of Apple's original complaint, which included the D'677 Patent). Thus, to remedy any overcompensation, the Court would need to subtract any amount awarded for the period between August 4, 2010 and April 15, 2011. However, the numbers underlying Mr. Musika's calculations show that these products were not sold before April 15, 2011. Specifically, JX1500, the table which the parties agreed showed sales and revenue per quarter for each accused phone, shows that the Galaxy S II Epic 4G Touch was first sold in the third quarter of 2011, and the Galaxy S II Skyrocket and Galaxy S II T–Mobile were both first sold in the fourth quarter of 2011—both *after* the original complaint was filed, giving Samsung notice of the D'677 Patent. Thus, for products for which there were no sales prior to June 15, 2011, there were no damages awarded for the period prior to that date. Consequently, none of the sales that went into Mr. Musika's calculation of Samsung's profits for these three phones was made before Samsung had notice. Accordingly, there is no excess for these three phones, and the jury's award stands. Samsung's motion for a new trial on damages or remittitur for Galaxy S II Skyrocket, Galaxy S II Epic 4G Touch, and Galaxy S II T–Mobile is DENIED. The jury's award of $216,392,254 for these products stands.

d. Reasonable Royalty Awarded But Damages Period Too Long

Finally, for five phones, (Exhibit 4G, Galaxy Tab, Nexus S 4G, Replenish, and Transform), the jury awarded amounts that represent exactly half of Mr. Musika's reasonable royalty calculations. However, these numbers were, as described above, based on incorrect notice dates for several of the patents.

For these phones, the Court could, in theory, adjust Mr. Musika's reasonable royalty amounts to account for the proper notice dates for each patent, and then calculate half of that number for each of the five phones to arrive at an amount consistent with the jury's award, but adjusted for correct notice dates. Mr. Musika provided the per-unit royalty rate for each patent, *see* PX25A1 at 16, and the parties jointly provided the number of units of each product sold per quarter. *See* JX1500.

However, the two later notice dates that apply for the design patents (April 15, 2011 and June 16, 2011) both fall somewhere in the middle of the second quarter of 2011, and thus do not correspond with the dates on which quarters begin or end. The parties have presented no evidence of sales in more specific time frames, so as to permit an accurate apportionment of Samsung's sales throughout the second quarter of 2011. As the sales of these products may not have been evenly distributed throughout the quarter, the evidence is not sufficient to support even a pro-rated award for the sales in the second quarter of 2011, because such an award might include sales for which Samsung had no notice. Moreover, calculating a reasonable royalty beginning with the third quarter of 2011 would leave Apple uncompensated for some number of sales occurring during the second quarter

of that year. Thus, the Court can neither calculate a pro-rated award for the second quarter of 2011 nor begin the award with the third quarter of 2011.

Because the award is excessive but the Court cannot accurately calculate the correct number of sales on which to base a remittitur, the Court ORDERS a new trial for the Exhibit 4G, Galaxy Tab, Nexus S 4G, Replenish, and Transform, and strikes $9,180,124 from the award.

CONCLUSION

Apple's motion for an increase in the jury's damages award is DENIED. The Court declines to determine the amount of prejudgment interest or supplemental damages until after the appeals in this case are resolved.

Because the Court has identified an impermissible legal theory on which the jury based its award, and cannot reasonably calculate the amount of excess while effectuating the intent of the jury, the Court hereby ORDERS a new trial on damages for the following products: Galaxy Prevail, Gem, Indulge, Infuse 4G, Galaxy SII AT & T, Captivate, Continuum, Droid Charge, Epic 4G, Exhibit 4G, Galaxy Tab, Nexus S 4G, Replenish, and Transform. This amounts to $450,514,650 being stricken from the jury's award. The parties are encouraged to seek appellate review of this Order before any new trial.

The jury's award stands for the Galaxy Ace, Galaxy S (i9000), Galaxy S II i9100, Galaxy Tab 10.1 WiFi, Galaxy Tab 10.1 4G LTE, Intercept, Fascinate, Galaxy S 4G, Galaxy S II Showcase, Mesmerize, Vibrant, Galaxy S II Skyrocket, Galaxy S II Epic 4G Touch, and Galaxy S II T–Mobile. The total award for these 14 products is $598,908,892.

IT IS SO ORDERED.

APPENDIX E

NOTE: This order is nonprecedential.

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

[Filed: 08/13/2015]

2014-1335, 2015-1029

APPLE INC., a California Corporation,

Plaintiff-Appellee,

v.

SAMSUNG ELECTRONICS CO., LTD., A Korean Corporation, SAMSUNG ELECTRONICS AMERICA, INC., A New York Corporation, SAMSUNG TELECOMMUNICATIONS AMERICA, LLC, A Delaware Limited Liability Company,

Defendants-Appellants.

Appeals from the United States District Court for the Northern District of California in No. 5:11-cv-01846-LHK, Judge Lucy H. Koh.

ON PETITION FOR REHEARING EN BANC

Before PROST, *Chief Judge*, NEWMAN, LOURIE, DYK, MOORE, O'MALLEY, REYNA, WALLACH, TARANTO, CHEN, HUGHES and STOLL, *Circuit Judges*.

PER CURIAM.

ORDER

Defendants-Appellants filed a petition for rehearing en banc. A response to the petition was invited by the court and filed by plaintiff-appellee. The petition was first referred as a petition for rehearing to the panel that heard the appeal, and thereafter the petition for rehearing en banc was referred to the circuit judges who are in regular active service.

Upon consideration thereof,

IT IS ORDERED THAT:

The petition for panel rehearing is denied.

The petition for rehearing en banc is denied.

The mandate of the court will issue on August 20, 2015.

FOR THE COURT

August 13, 2015
Date

/s/ Daniel E. O'Toole
Daniel E. O'Toole
Clerk of Court

APPENDIX F

United States Code
Title 35. Patents
Part II. Patentability of Inventions and Grant of Patents
Chapter 16. Designs

35 U.S.C. § 171. Patents for designs

(a) **In general.**—Whoever invents any new, original and ornamental design for an article of manufacture may obtain a patent therefor, subject to the conditions and requirements of this title.

(b) **Applicability of this title.**—The provisions of this title relating to patents for inventions shall apply to patents for designs, except as otherwise provided.

(c) **Filing date.**—The filing date of an application for patent for design shall be the date on which the specification as prescribed by section 112 and any required drawings are filed.

United States Code
Title 35. Patents
Part III. Patents and Protection of Patent Rights
Chapter 29. Remedies for Infringement
of Patent, and Other Actions

35 U.S.C. § 284. Damages

Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court.

When the damages are not found by a jury, the court shall assess them. In either event the court may increase the damages up to three times the amount found or assessed. Increased damages under this paragraph shall not apply to provisional rights under section 154(d).

The court may receive expert testimony as an aid to the determination of damages or of what royalty would be reasonable under the circumstances.

United States Code
Title 35. Patents
Part III. Patents and Protection of Patent Rights
Chapter 29. Remedies for Infringement
of Patent, and Other Actions

35 U.S.C. § 289. Additional remedy for infringement of design patent

Whoever during the term of a patent for a design, without license of the owner, (1) applies the patented design, or any colorable imitation thereof, to any article of manufacture for the purpose of sale, or (2) sells or exposes for sale any article of manufacture to which such design or colorable imitation has been applied shall be liable to the owner to the extent of his total profit, but not less than $250, recoverable in any United States district court having jurisdiction of the parties.

Nothing in this section shall prevent, lessen, or impeach any other remedy which an owner of an infringed patent has under the provisions of this title, but he shall not twice recover the profit made from the infringement.

APPENDIX G

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

C-11-01846 LHK

APPLE INC., a California Corporation,

Plaintiff,

vs.

SAMSUNG ELECTRONICS CO., LTD., a Korean Business Entity; SAMSUNG ELECTRONICS AMERICA, INC., a New York Corporation; SAMSUNG TELECOMMUNICATIONS AMERICA, LLC, a Delaware Limited Liability Company,

Defendants.

Transcript of Proceedings
Before the Honorable Lucy H. Koh
United States District Judge

San Jose, California
August 21, 2012
Volume 13
Pages 3941-4264

---

* * *

Number 43. Before you decide whether Samsung Electronics Company, Samsung Electronics America, and/or Samsung Telecommunications America have infringed one or more of Apple's asserted design patents, or whether the design patents are invalid, you will have to understand the design patent claims.

Unlike utility patents, a design patent can only have one claim. That claim covers all of the figures in the patent. It is permissible to illustrate more than one embodiment of a design in a single design patent application.

Each design patent contains multiple drawings to illustrate the claimed design. The scope of the claim encompasses the design's visual appearance as a whole. It does not cover a general design concept, and it is not limited to isolated features of the drawings.

All matters depicted in solid lines contributes to the overall appearance of the design.

It is my job as a judge to interpret for you what is claimed by the patents. You must accept my interpretations as correct. My interpretations should not be taken as an indication that I have an opinion one way or another regarding the issues of infringement and invalidity. The decisions regarding infringement and invalidity are yours to make.

When considering the design patents, you should view certain features in the drawings in this way:

The D'677 patent claims the ornamental design of an electronic device as shown in figures 1 through 8. The broken lines in the D'677 patent constitute unclaimed subject matter.

The use of solid block surface shading in the D'677 patent represents the color black. The use of oblique line shading on the D'677 patent is used to show a transparent, translucent or highly polished or reflective surface.

The D'087 patent covers—I'm sorry—claims, excuse me, the ornamental design of an electronic device as shown in figures 1 through 14. The broken lines in the D'087 patent constitute unclaimed subject matter.

Thus, the D'087 patent claims the front face, a bezel encircling the front face of the patented design that extended from the front of the phone to its sides, and a flat contour of the front face, but does not claim the rest of the article of manufacture.

The D'889 patent claims the ornamental design of an electronic device as shown in figures 1 through 9.

*** The broken lines depicting the human figure in figure 9 do not form a part of the claimed design.

The other broken line on the other figures are part of the claimed design.

The D'889 also includes oblique line shading on several of the figures. The oblique line shading in figures 1 through 3 and figure 9 depicts a transparent, translucent or highly polished or reflective surface from the top perspective of the claimed design, the top view of the claimed design, and the bottom perspective view of the claimed design.

The D'305 patent claims the ornamental design for a graphical user interface for a display screen or portion thereof as shown in figures 1 through 2. The broken line showing of a display screen in both views forms no part of the claimed design.

* * *

Number 46. To determine direct infringement of a design patent, you must compare the overall appearances of the accused design and the claimed design.

If you find by a preponderance of the evidence that the overall appearance of an accused Samsung design is substantially the same as the overall appearance of the claimed Apple design patent and that the accused design was made, used, sold, offered for sale or imported within the United States, you must find that the accused design infringed the claimed design.

Two designs are substantially the same if, in the eye of an ordinary observer, giving such attention as a purchaser usually gives, the resemblance between the two designs is such as to deceive such an observer, inducing him to purchase one supposing it to be the other.

You do not need, however, to find that any purchasers actually were deceived or confused by the appearance of the accused Samsung products.

You should consider any perceived similarities or differences between the patented and accused designs. Minor differences should not prevent a finding of infringement.

This determination of whether two designs are substantially the same will benefit from comparing the two designs with prior art. You must familiarize yourself with the prior art admitted at trial in making your determination of whether there has been direct infringement.

You may find the following guidelines helpful to your analysis:

The placement and ornamentation of a logo may alter the overall design. However, the use of a mark or logo to identify the source of an otherwise infringing design will not avoid infringement.

When the claimed design is visually close to prior art design, small differences between the accused design and the claimed design may by [sic] important in analyzing whether the overall appearances of the accused and claimed designs are substantially the same.

If the accused design includes a feature of the claimed design that departs conspicuously from the prior art, you may find that feature important in analyzing whether the overall appearance of the accused and claimed designs are substantially the same.

If the accused design is visually closer to the claimed design than it is to the closest prior art, you may find this comparison important in analyzing whether the over appearance of the accused and claimed designs are substantially the same.

You should not consider the size of the accused products if the asserted design patent did slightly different [sic] not specify the size of the design.

While these guidelines may be helpful, the test for infringement is whether the overall appearances of the accused design and the claimed design are substantially the same.

Whether Samsung knew its products infringed or even knew of Apple design patents does not matter in determining infringe action.

* * *

Number 52. Design patents protect the ornamental appearance, including shape or configuration, of an article of manufacture.

If Samsung proves by clear and convincing evidence that the overall appearance of an Apple patented design is dictated by how the article claimed in the patent works, the patent is invalid because the design is not "ornamental."

In other words, the inventor did not "design" anything because in order to achieve the function of the design, it had to be designed that way.

When deciding this, you should keep in mind that design patents must be for articles of manufacture, which by definition have inherent functional characteristics. It is normal that claimed designs perform some function. That does not disqualify them from patent protection.

In determining whether a design is dictated by functionality, you may consider whether the protected design represents the best design, whether alternative designs would adversely effect [sic] the utility of specified article, whether there are any concomitant utility patents, whether the advertising touts particular features of the design as having specific utility, and whether there are any elements in the design or an overall appearance clearly not dictated by function.

When there are several other designs that achieve the function of an article of manufacture, the design of the article is more likely to serve a primarily ornamental purpose. However, this may not be true if the other designs adversely affect the utility of the article.

* * *

Number 54. In this case, Apple seeks Samsung Electronics Company's, Samsung Electronic America's, and Samsung Telecommunications America's profits from sales of products alleged to infringe Apple's design patents. If you find infringement by any Samsung defendant and do not find Apple's design patents are invalid, you may award Apple that Samsung Defendant's total profit attributable to the infringing products.

The "total profit" of Samsung Electronics Company, Samsung Electronics America and/or Samsung Telecommunications America means the entire profit on the sale of the article to which the patented design is applied and not just the portion of profit attributable to the design or ornamental aspects covered by the design.

"Total profit" does not include profit attributable to other products that may be sold in association with an infringing article embodying the patented design.

If you find infringement by any Samsung defendant, Apple is entitled to all profit earned by that defendant on sales of articles that infringe Apple's design patents. Profit us [sic] determined by deducting certain expenses from gross revenue. Gross revenue is all of the infringer's receipts from the sale of articles using any design found infringed. Apple has the burden of proving the infringing defendant's gross revenue by a preponderance of the evidence.

Expenses can include costs incurred in producing the gross revenue, such as the cost of the goods. Other costs may by included as deductible expenses if they are directly attributable to the sale or manufacture of the infringing products resulting in the nexus between the infringing products and the expense. Samsung has the burden of proving the deductible expenses.

* * *

No. 15-777

FEB 2 2016
OFFICE OF THE CLERK

IN THE

Supreme Court of the United States

SAMSUNG ELECTRONICS CO., LTD., SAMSUNG ELECTRONICS AMERICA, INC., SAMSUNG TELECOMMUNICATIONS AMERICA LLC,

Petitioners,

v.

APPLE INC.,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF IN OPPOSITION

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QUESTIONS PRESENTED

1. Whether the court of appeals correctly ruled that the district court did not commit reversible error in instructing the jury regarding the scope of Apple's design patent claims.

2. Whether 35 U.S.C. § 289, which provides that a party that infringes a design patent may be held "liable ... to the extent of his total profit," permitted the jury to award damages equal to Samsung's total profit from its devices that infringed Apple's design patents.

CORPORATE DISCLOSURE STATEMENT

Respondent Apple Inc. has no parent corporation. To the best of Apple's knowledge and belief, and based on public filings with the Securities and Exchange Commission, as of February 3, 2016, no publicly held corporation owns 10% or more of Apple's stock.

TABLE OF CONTENTS

Page

QUESTIONS PRESENTED i

TABLE OF AUTHORITIES v

INTRODUCTION 1

STATEMENT 3

A. The Design Patent System 3

B. Apple's Iconic iPhone Designs And Samsung's Infringement 5

C. Proceedings Below 12

REASONS FOR DENYING THE PETITION 13

I. THE FEDERAL CIRCUIT'S RULING ON DESIGN PATENT INFRINGEMENT DOES NOT MERIT THIS COURT'S REVIEW 13

A. Samsung's Design Patent Infringement Arguments Do Not Warrant Certiorari 14

B. This Case Is A Poor Vehicle To Address Design Patent Infringement In Any Event 23

II. THE FEDERAL CIRCUIT'S RULING ON DESIGN PATENT DAMAGES DOES NOT MERIT THIS COURT'S REVIEW 25

A. The Federal Circuit's Ruling Is Fully Consistent With § 289's Text, Legislative History, And Longstanding Judicial Interpretation 25

TABLE OF CONTENTS—Continued

Page

B. Samsung Identifies No Reason To Depart From § 289's Clear And Settled Meaning 28

1. There is no circuit split 28

2. Samsung's analogies to other legal contexts are inapt 32

III. THIS CASE DOES NOT PRESENT AN IMPORTANT QUESTION REQUIRING THIS COURT'S RESOLUTION 34

CONCLUSION 38

TABLE OF AUTHORITIES

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Page(s)

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§ 171(a) 3
§ 289 ..... *passim*

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IN THE

Supreme Court of the United States

No. 15-777

SAMSUNG ELECTRONICS CO., LTD., SAMSUNG ELECTRONICS AMERICA, INC., SAMSUNG TELECOMMUNICATIONS AMERICA LLC,

Petitioners,

v.

APPLE INC.,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF IN OPPOSITION

INTRODUCTION

Before 2007, mobile phones were bulky, inelegantly designed boxes with multiple buttons and protruding antennas. Apple invested billions of dollars and devoted several years' work by its designers and engineers to develop the iPhone, which revolutionized the market. The iPhone's explosive success was due in no small part to its innovative design, which included a distinctive front face and a colorful graphical user interface—features protected by U.S. design patents.

The innovation and beauty of Apple's designs were not only hailed by consumers and the press, but envied by Apple's fiercest competitor Samsung, which by its executive's own admission in related litigation is a "fast follower" rather than an innovator.[1] Faced with what its leadership called a "crisis of design," CAJA25349, Samsung made a deliberate and conscious decision to copy the iPhone's innovative look and many of its other features, and its mobile devices became iPhone clones. The jury, the district court, and the Federal Circuit all recognized that Samsung infringed Apple's design patents. Indeed, Samsung did not even call a non-infringement expert to testify about the design patents at trial, nor did it appeal the jury's finding that Apple's design patents are valid.

Samsung's effort to make this case seem certworthy depends on a made-up narrative in which Samsung, not Apple, is the innovator, despite the overwhelming evidence that Samsung copied the iPhone's innovative design. Samsung also invites the Court to consider this case not based on the record, but based on blog posts, unsupported factual assertions, and evidence excluded as a discovery sanction. Once Samsung's diversions are swept aside as they should be, the actual issues it presents do not deserve review. The decisions below broke no new legal ground; they simply applied the statute and well-settled law to the extraordinary record of infringement and copying in this case.

Samsung's petition for certiorari should be denied.

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[1] JA11702-11704, Dkt. 92, No. 2014-1802, *Apple Inc.* v. *Samsung Elecs. Co.* (Fed. Cir. Jan. 12, 2015).

STATEMENT

A. The Design Patent System

While utility patents protect functional inventions and copyrights protect works of art, design patents protect designs applied to or incorporated within functional objects. *See* 35 U.S.C. § 171(a) (providing protection for "any new, original and ornamental design for an article of manufacture"); *In re Koehring*, 37 F.2d 421, 422 (C.C.P.A. 1930) ("[T]ools and mechanisms which are patentable because of their utilitarian qualities may also properly be the subject-matter for design patents."); 8 *Chisum on Patents* § 23.02 (2014) (Congress created design patents in 1842 to "fill a gap between copyright protection for authors and patent protection for inventors in the mechanical arts").

In authorizing design patents, Congress "manifestly contemplate[d] that giving certain new and original appearances to a manufactured article may enhance its salable value, may enlarge the demand for it and may be a meritorious service to the public." *Gorham Co.* v. *White*, 81 U.S. (14 Wall.) 511, 524-525 (1872); *see also* 18 Cong. Rec. 834 (1887) (House Committee on Patents) ("Property in original designs ... is ... of great and increasing value[and] intimately related to material progress in the industrial arts."). More broadly, "in basing a patent right upon the ornamentation or beauty of a tool or mechanical device, ... Congress expressed a desire to promote more beauty, grace, and ornamentation in things used, observed, and enjoyed by our people." *Koehring*, 37 F.2d at 422. In modern times, design patent protection is "especially important in the high-technology consumer goods sector because such high-technology is not often clearly demonstrable except through the goods' outer appearance, which is fre-

quently the target of copyists." Beebe, *Intellectual Property Law and the Sumptuary Code*, 123 Harv. L. Rev. 809, 863-864 (2010).

In light of their different statutory purpose, design patents "fundamentally differ[]" from utility patents, 8 *Chisum* § 23.01, with respect to what they protect, how they are infringed, and what remedies they carry. As this Court has noted, the validity analysis is different: "To qualify for protection, a design must present an aesthetically pleasing appearance that is not dictated by function alone, and must satisfy the other criteria of patentability." *Bonito Boats, Inc.* v. *Thunder Craft Boats, Inc.*, 489 U.S. 141, 148 (1989). The "dictated by function" validity test ensures that a party cannot patent a "design ... essential to the use of the article" that is more properly protected by a utility patent, while recognizing that a design is not unpatentable merely because the underlying "article of manufacture necessarily serves a utilitarian purpose." *L.A. Gear, Inc.* v. *Thom McAn Shoe Co.*, 988 F.2d 1117, 1123 (Fed. Cir. 1993). In other words, "in determining whether a claimed design is primarily functional, '[t]he function of the article itself must not be confused with "functionality" of the *design* of the article.'" *Ethicon Endo-Surgery, Inc.* v. *Covidien, Inc.*, 796 F.3d 1312, 1328 (Fed. Cir. 2015) (emphasis added).

The infringement analysis also differs. Whereas a utility patent is infringed if the accused product "contain[s] elements identical or equivalent to each claimed element of the patented invention," *Warner-Jenkinson Co.* v. *Hilton Davis Chem. Co.*, 520 U.S. 17, 40 (1997), a design patent is infringed if an "ordinary observer" considering purchasing the accused product would be deceived into thinking that it embodied the patented design, *Gorham*, 81 U.S. (14 Wall.) at 528.

The available remedies differ too. In 1887, Congress enacted the predecessor to 35 U.S.C. § 289, which permits a design patent holder to recover the "total profit" made on the infringing product. *Nike, Inc.* v. *Wal-Mart Stores, Inc.*, 138 F.3d 1437, 1441-1442 (Fed. Cir. 1998) (citing Act of Feb. 4, 1887, ch. 105, § 1, 24 Stat. 387, 387). The House Committee on Patents explained that the rule "prevents the infringer from actually profiting by his infringement. The patentee recovers the profit actually made on the infringing article ... that is, what the infringer realized from the infringing articles minus what they cost him." 18 Cong. Rec. 834; *see also id.* ("[I]t is just[ice] that the entire profit on the article should be recoverable."). While a version of that remedy was once available for utility patent infringement as well, Congress eliminated it in 1946. *See Aro Mfg. Co.* v. *Convertible Top Replacement Co.*, 377 U.S. 476, 505-507 (1964) (citing Act of Aug. 1, 1946, ch. 726, § 1, 60 Stat. 778).

B. Apple's Iconic iPhone Designs And Samsung's Infringement

In 2007, Apple introduced the iPhone, revolutionizing the mobile phone market. Apple's designers worked "night[s]," "weekends"—"all the time"—to create a "new, original, and beautiful object, something that would really wow the world." CAJA40485; Dist. Ct. Dkt. 1610 at 745. Some observers initially questioned whether Apple would succeed, CAJA40601-40603, but the market soon recognized that Apple's new design was game-changing. As Time magazine recognized in choosing the iPhone as "Invention of the Year," one of Apple's "basic insights about technology is that good design is actually as important as good technology." CAJA27150. Unlike the buttons, knobs, and ugly

protrusions of prior phones, Apple's iPhone was smooth and elegant and earned immediate acclaim. *E.g.*, CAJA27141-27144 (New York Times) (iPhone design was "gorgeous" with a "shiny black [front face], rimmed by mirror-finish stainless steel" and a "spectacular" user interface), CAJA27145-27149 (Wall Street Journal) (iPhone design was "beautiful and [a] breakthrough," featuring a "clever finger-touch interface"). Samsung itself recognized the iPhone's potential for "[s]uccess" because of its "[b]eautiful design" and its "[ea]sy and intuitive [user interface]." CAJA25003. Samsung's conclusion was correct: The iPhone took the market by storm. CAJA40627-40628.

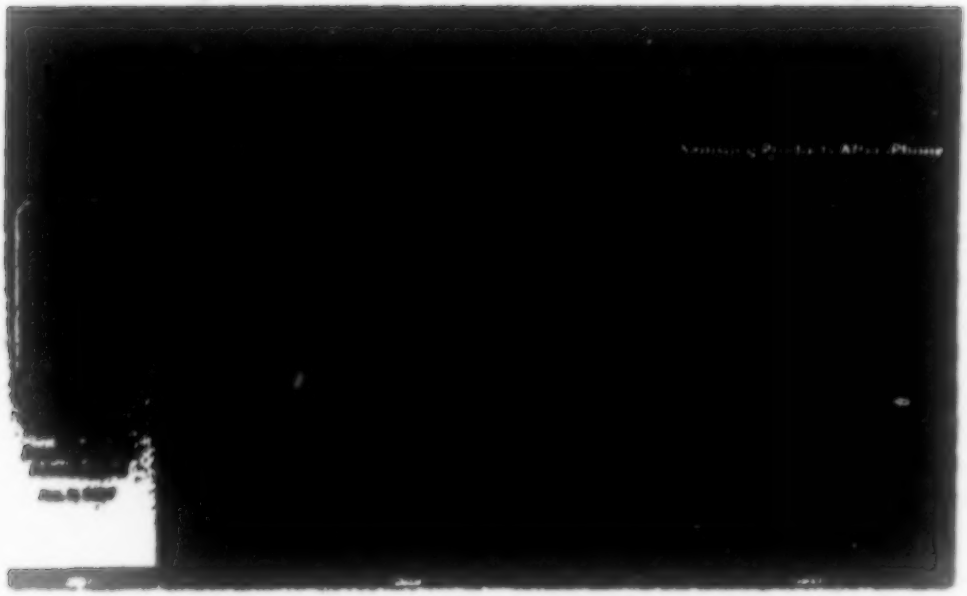
The three design patents at issue protect various aspects of the iPhone's iconic design. U.S. Design Patent No. 618,677 (the "D'677 patent") protects the iPhone's distinctive front face; U.S. Design Patent No. 593,087 (the "D'087 patent") protects the iPhone's distinctive overall appearance, including its particular shape, the flat contour of the front face, and the raised edge separating the glass display from the rest of the device; and U.S. Design Patent No. 604,305 (the "D'305 patent") protects the iPhone's colorful graphical user interface.

Although Samsung now tries to portray itself as an innovator (Pet. 7-8), Samsung acknowledged at the time that the iPhone's design was miles ahead of its own. *E.g.*, CAJA25174 ("Apple has overtaken Samsung as the most stylish brand overall."); CAJA25185 (Samsung noting that the iPhone set "the standard for screen-centric design"). As Samsung's mobile division head told its highest executives, Samsung faced a "crisis of design"—"when our [user experience] is compared to the unexpected competitor Apple's iPhone, the difference is truly that of Heaven and Earth."

CAJA25349; *see also* CAJA25346 ("When everybody (both consumers and the industry) talk about [user experience], they weigh it against the iPhone.").

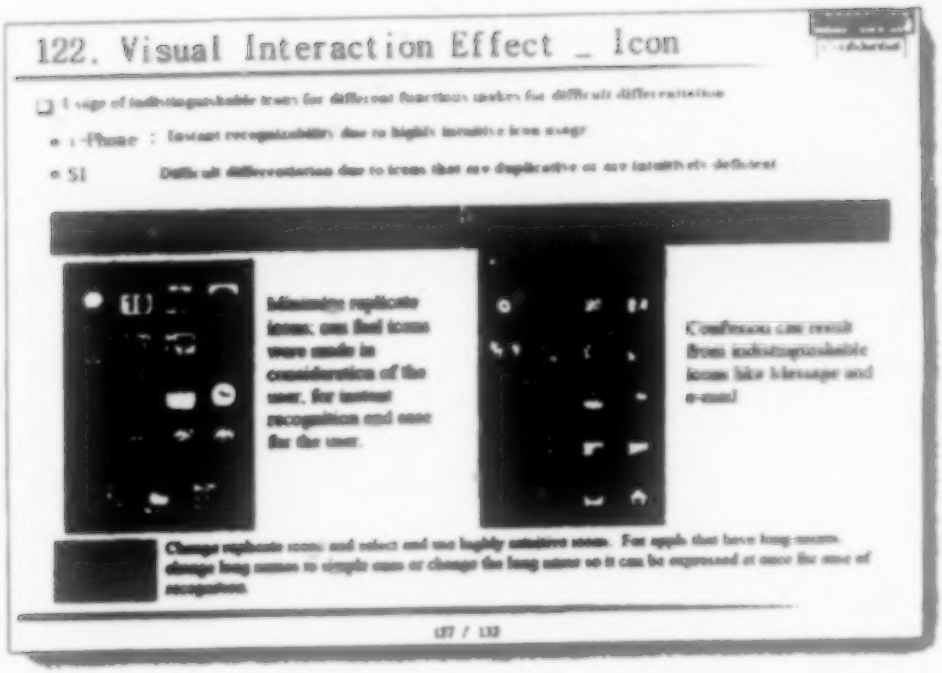
Rather than innovate, Samsung copied. *E.g.*, CAJA25487, 41414-41416. Before the iPhone, Samsung's mobile phones resembled walkie-talkie-like boxes with bulky antennas and keyboards, as the following trial demonstrative showed:

CAJA24679. After Apple announced the iPhone, Samsung's phones transformed—in only "three months" of design, CAJA42538-42539—into sleek, streamlined, narrow rectangles that mimicked the iPhone's distinctive appearance:



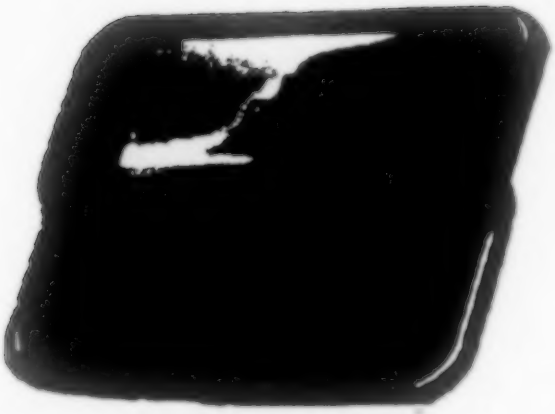
CAJA24681.

CAJA90143. As Apple's design expert testified, these similarities were "beyond coincidental," CAJA41409—they were intentional copying. This was confirmed at trial through Samsung's own documents, including the following comparison that included specific "[d]irections for [i]mprovement" to make Samsung's graphical user interface and icons more like Apple's:



CAJA25492. Samsung's copying extended to numerous distinctive aspects of Apple's user experience. *E.g.*, CAJA25408, 25416, 25423, 25487, 25496; *see also* Apple C.A. Br. 15-17.

Before this Court, Samsung (Pet. 8) tries to escape its adjudicated copying by pasting an image of its F700 design to support an argument that Samsung supposedly did not copy the iPhone. Although not shown in the image selected by Samsung, the F700 was an old-fashioned "slider" design with a slide-out keyboard:



Def. Ex. 2627 at 25. Samsung's suggestion that the F700 was a precursor to its infringing designs was not supported by any evidence. To the contrary, Samsung's lead designer testified that the infringing Samsung Galaxy S design was "his own independent one" and was *not* influenced by the F700. Dist. Ct. Dkt. 1648-5 at 7-8; *see also* CAJA6833 (district court noting that Samsung's F700 designer did not design any of Samsung's infringing devices and was unaware of any Samsung phone having been based on the F700 design). That is presumably why Samsung never disclosed the F700 during discovery as purported evidence of its own independent development and, consequently, why the district court sanctioned Samsung by forbidding use of the F700 to "rebut an allegation of copying"—a sanction upheld on appeal and not challenged in Samsung's petition. *See* CAJA6833; Dist. Ct. Dkt. 2708 at 2; Pet. App. 26a.[2]

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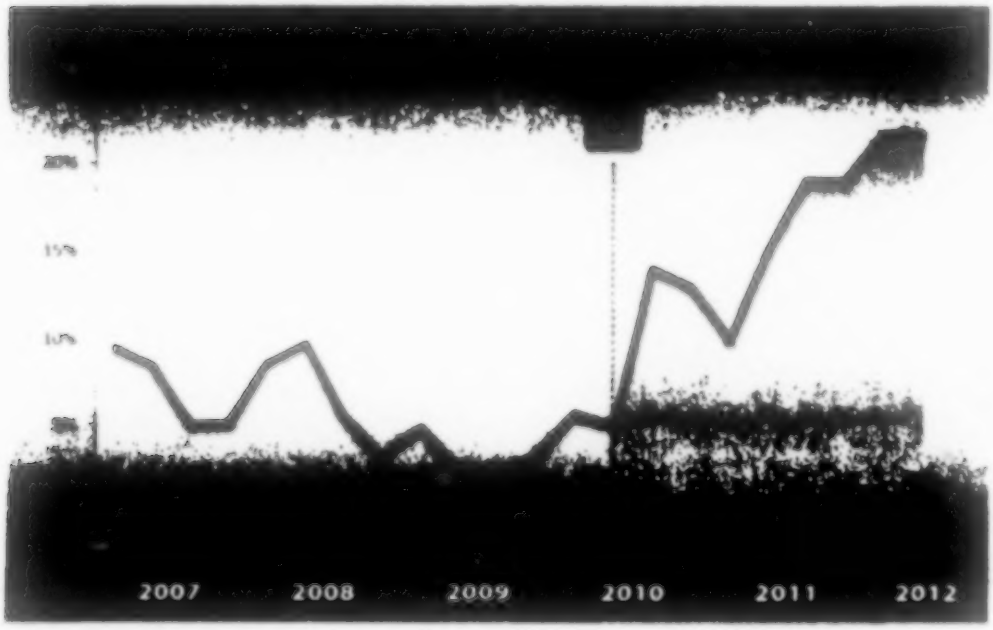
[2] Samsung's use (Pet. 7) of the Q-Bowl image is similarly inappropriate: that device was simply an earlier version of the F700, Dist. Ct. Dkt. 2708 at 2, and the district court accordingly precluded Samsung from using it to rebut copying as well, *compare* Dist. Ct. Dkt. 1441 at 2 (Apple objection to slides 11-19), *with* Dist. Ct. Dkt. 1456 at 2 (sustaining objection).

The only possible conclusion on this record is that Samsung blatantly copied the iPhone's design. That was certainly the market's conclusion. WIRED magazine observed that Samsung's design "is shockingly similar to the iPhone 3G: The rounded curves as the corners, the candybar shape, the glossy black finish and the chrome-colored metallic border around the display." CAJA24687 ("Samsung Vibrant Rips Off iPhone 3G Design"). And the Wall Street Journal explained that Samsung's Vibrant "has rounded corners and a prominent border that make it look very much like last year's iPhone 3GS model." CAJA24688.

Samsung's strategy worked. Samsung's share of the smartphone market swung "abrupt[ly] upward" following its copying, CAJA42050-42052—jumping from 5% to 20% in just two years—while Apple's market share fell, as the jury saw:



CAJA90104.

After unsuccessfully asking Samsung to stop copying Apple's designs, Apple brought this lawsuit.

C. Proceedings Below

At the 13-day trial, Samsung proffered no expert testimony suggesting that it did not infringe Apple's design patents. The jury found Apple's design patents valid and infringed and awarded damages, and the district court entered judgment in Apple's favor. Pet. App. 4a-5a.

The district court gave the jury detailed instructions regarding the features that Apple's patents did and did not protect, including when explaining how to determine design patent validity. *E.g.*, Pet. App. 164a ("If Samsung proves ... that the overall appearance of an Apple patented design is dictated by how the article claimed in the patent works, the ... design is not 'ornamental.'"). The court repeatedly instructed the jury that design patent claims covered only the "ornamental design." *E.g.*, *id.* 160a-161a. The court also instructed that, if the jury found infringement, it could (but was not required to) award Samsung's total profit on the infringing devices. *Id.* 165a ("[Y]ou *may* award Apple th[e] ... total profit attributable to the infringing products." (emphasis added)).[3]

Although Samsung appealed numerous issues, it did not challenge the validity of Apple's design patents. The Federal Circuit rejected each of Samsung's design-

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[3] Samsung quotes the jury instruction (Pet. 16-17) in a misleading manner. The instruction's first paragraph, quoted above, makes clear that the jury *may, but need not*, award total profits. Pet. App. 165a. The fourth paragraph, quoted by Samsung for the proposition that "Apple is entitled to all profit," merely lays out how to *calculate* total profit should the jury choose to award it. *Id.*

patent-related arguments. Pet. App. 19a-29a. Samsung's petition does not dispute many of the Federal Circuit's rulings, including that the district court correctly instructed the jury on the test for design patent infringement and on the extent to which the jury should consider prior art. *See id.* 23a-25a. Nor does Samsung deny that substantial evidence supported the jury's finding that Samsung infringed the D'677, D'087, and D'305 patents under the legal standards the Federal Circuit applied. *See id.* 25a-26a.

Rather, Samsung challenges only two rulings. First, the panel held that design patent infringement depended on the factfinder's review of the *overall* ornamental appearance of a design, even if the design applied to aspects of the phone that had some utilitarian purpose. Pet. App. 19a-23a. Second, the panel rejected Samsung's "quest" to avoid the text of § 289, which "explicitly authorizes the award of total profit." *Id.* 27a-29a. Samsung's desire to impose an "'apportionment' requirement" reflected an approach that "Congress rejected" as to design patents. *Id.* 27a.

The Federal Circuit denied rehearing without dissent. Pet. App. 154a-155a.

REASONS FOR DENYING THE PETITION

I. THE FEDERAL CIRCUIT'S RULING ON DESIGN PATENT INFRINGEMENT DOES NOT MERIT THIS COURT'S REVIEW

Samsung raises two issues relating to design patent infringement: (1) whether the district court sufficiently instructed the jury regarding the scope of Apple's design patents (Pet. 21-24); and (2) whether a district court *must* give the jury a detailed verbal description of a design patent claim (*id.* 24-25). Neither issue

merits review, and this case is not a good vehicle for either.

A. Samsung's Design Patent Infringement Arguments Do Not Warrant Certiorari

Samsung asserts that the district court erred in its construction of Apple's design patents, but it identifies no decision of this Court or even the Federal Circuit that directly supports its position.

1. Samsung contends (Pet. 21-24) that the district court should have done more to explain the protection provided by design patents. But Samsung fails to consider the district court's jury charge as a whole, which more than adequately explained the issue. *See Spring Co.* v. *Edgar*, 99 U.S. 645, 659 (1879) ("In examining the charges of the court for the purpose of ascertaining its correctness ... the whole scope and bearing of it must be taken together."); *see also Kansas* v. *Marsh*, 548 U.S. 163, 179 n.6 (2006) (discussing the "well-established proposition that a single instruction to a jury may not be judged in artificial isolation but must be viewed in the context of the overall charge"); 9C Wright & Miller, *Federal Practice & Procedure* § 2558 (3d ed. 2008) ("[I]n determining whether the charge is erroneous, ... the critical inquiry is whether the instructions, viewed in the aggregate, properly guided the jurors in their deliberations.").

The district court told the jury that a design is not "ornamental"—and thus not validly patentable—if its "overall appearance ... is dictated by how the article claimed in the patent works .... In other words, [a design is not ornamental if] in order to achieve the function of the design, it had to be designed that way." Pet. App. 164a. The jury was also given guidelines for

determining "whether a design is dictated by functionality" (*i.e.*, is not ornamental), including "whether there are any elements in the design or an overall appearance clearly not dictated by function." *Id.*; *see also id.* (jury could consider alternative designs, advertising, and other factors). The court also repeatedly stated that Apple's design patents protect only an article's "ornamental design." CAJA1390-1391 (the patents-in-suit each "claim[] the ornamental design"); CAJA1403 (design patent "cover[s]" "ornamental aspects"); CAJA40261 ("A design patent protects the ornamental design of an article of manufacture."). Taken as a whole—as it must be—the court's charge clearly informed the jury what aspects of Apple's design patents were and were not protected.[4]

Because the district court explained the proper legal standard, the question whether any particular feature of Apple's patented designs was dictated by function was a factual issue resolved against Samsung, which Samsung did not raise in its petition and would not warrant certiorari in any event. As Apple's witnesses testified, while *components* of the patented designs have some functionality, the way in which Apple *designed* those components was not dictated by their function because those same functions could be performed by numerous other designs. For example, the jury heard testimony that the "shape, location [and] size" of the iPhone's display screen "are not required by [its] functions." CAJA41201-41203; *see also* CAJA41093-

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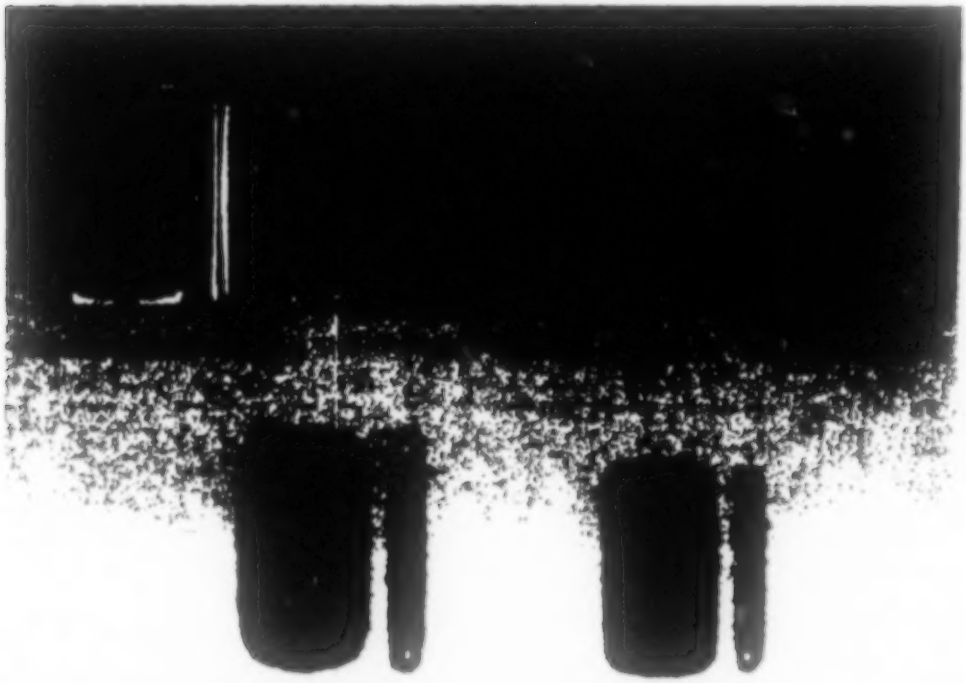
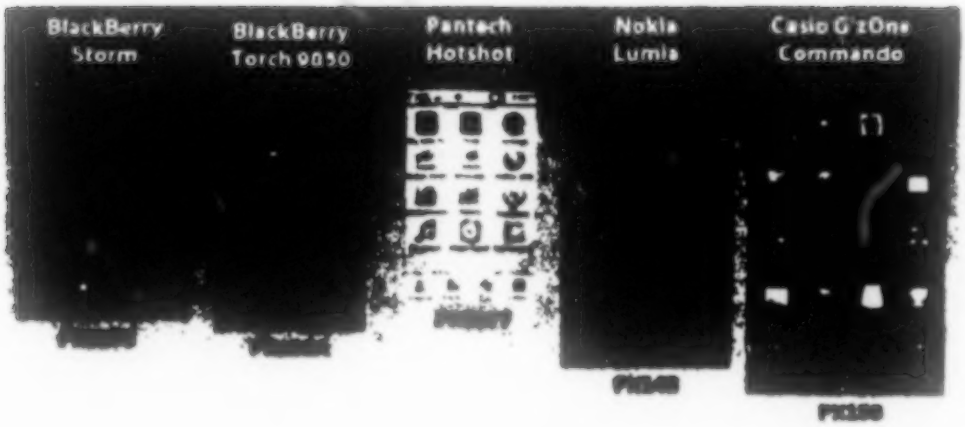
[4] Samsung's apparent view that design patent jury instructions are so radically different from other jury instructions as to require review in isolation, rather than as a whole, is exactly the sort of patent-specific categorical rule that this Court has disapproved. *E.g.*, *eBay, Inc.* v. *MercExchange, L.L.C.*, 547 U.S. 388, 393 (2006).

41094 (expert testimony that, in light of the number of available alternative designs, "none of the [claimed] elements" of the D'677 and D'087 patents (like corners with particular radii and a rectangle with a particular form factor) was "dictated by function").

Indeed, the jury saw several alternative, non-infringing designs for both the patented outer casing and the graphical user interface, which demonstrate that one can easily design a functioning smartphone without copying Apple's designs:





CAJA24767; *see also* CAJA27203-27204, 27206, 27476-27477 (physical exhibits).

Samsung's assertion (Pet. 22) that Apple's design patents improperly claim "conceptual or functional attributes like rounded corners and rectangular form" is simply wrong and, in any event, shows no error in the jury instructions. The jury understood that abstract forms and concepts themselves are not patentable. *E.g.*, Pet. App. 160a (instruction stating that "[t]he scope of the [design patent] claim ... does not cover a general design concept, and it is not limited to isolated features of the drawings"). Rather, Apple's patents protect designs that *incorporate*, but are not limited to, individual shapes and colors—just as one might patent a rug design with a zigzag or floral pattern without claiming an intellectual property right to prevent others from using zigzag lines or flowers. *See Dobson* v. *Dornan*, 118 U.S. 10, 15 (1886) (design patent for rug with, *inter alia*, "floral decorations" and "an outer zigzag stripe" is valid); *Ethicon Endo-Surgery, Inc.* v. *Covidien, Inc.*, 796 F.3d 1312, 1334 (Fed. Cir. 2015) (asserted design patents "do not protect the general design concept of an open trigger, torque knob and activation button" but rather "particular ornamental designs of those underlying elements ... [*i.e.*,] the depicted or-

namental aspects of certain combinations of the trigger, torque knob and activation button elements ... in specific relative positions and orientations"); *Lee* v. *Dayton-Hudson Corp.*, 838 F.2d 1186, 1188 (Fed. Cir. 1988) ("by obtaining a design patent, not a utility patent, Mr. Lee limited his patent protection to the ornamental design of the article"; protection did not extend to the article's "basic configuration"). Indeed, Apple identified at trial three smartphones designed by competitors that incorporate "rectangles [and] round corners" (Pet. 2) but do not infringe because their overall appearance is distinctly different from the iPhone. *See supra* p. 16 (pictures of Pantech Crossover, LG Optimus, and Sony Ericsson Experia Arc 5).[5]

Samsung raises two other doctrines (Pet. 23-24) that it believes "conflict" with the Federal Circuit's ruling. Samsung did not seriously argue such a conflict to the Federal Circuit, and for good reason—there is none.

The "filtration doctrine" of copyright law—which this Court has never adopted—applies primarily to the special context of "computer software." 4 *Nimmer on Copyright* § 13.03[F] (2015). Because copyrights are not examined by an expert agency and their content is not determined before litigation, courts use filtration to

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[5] Samsung's argument is so clearly wrong that one of its law professor amici in the Federal Circuit distanced herself from the petition for certiorari and did not join the Professors amicus brief in this Court. *See* Burstein, *Apple, Samsung & Design Patent Claim Construction*, Patently-O (Jan. 4, 2016), http://patentlyo.com/patent/2016/01/samsung-patent-construction.html (criticizing as "questionable" Samsung's "new approach to design patent claim construction" and noting that it is "not clear what would qualify as a 'conceptual' aspect (or feature) of a design" under Samsung's novel test).

identify copyrightable material. *Id.* ("[B]efore evaluating substantial similarity, it is necessary to eliminate from consideration those elements of a program that are not protected by copyright." (footnote omitted)); *cf. id.* § 13.03[A][1][d] ("granting copyright holders protection ... provided to patent holders ... could be disastrous, given that neither the safeguard of patent examination nor the *quid pro quo* of disclosure is required to receive copyright protection" (footnote omitted)). Design patents, by contrast, do not issue unless the claims survive a thorough examination by the Patent and Trademark Office and the agency determines that the claims meet the statutory requirements. *See* PTO, MPEP § 1504 ("In design patent applications, ornamentality, novelty, nonobviousness[,] enablement, and definiteness are necessary prerequisites to the grant of a patent.").[6] Moreover, as Samsung's own cited authority explains, filtration merely represents the courts' best effort to grapple with the fact that "copyright registration—with its indiscriminating availability—is not ideally suited to deal with the highly dynamic technology of computer science." *Computer Assocs. Int'l, Inc.* v. *Altai, Inc.*, 982 F.2d 693, 712 (2d Cir. 1992); *see also id.* (filtration is "the courts' attempt to fit the proverbial square peg in a round hole"). Samsung identifies no good reason to port this makeshift doctrine into patent law.

Samsung's trademark argument fares no better. This Court has clearly distinguished the tests for functionality in the trade dress and design patent contexts. *Compare TrafFix Devices, Inc.* v. *Marketing Displays, Inc.*, 532 U.S. 23, 33 (2001) (trade dress is impermissi-

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[6] http://www.uspto.gov/web/offices/pac/mpep/s1504.html (last visited Feb. 3, 2016).

bly functional "when it is essential to the use or purpose of the device or when it affects the cost or quality of the device"), *with Bonito Boats, Inc.* v. *Thunder Craft Boats, Inc.*, 489 U.S. 141, 148 (1989) (a design patent "must present an aesthetically pleasing appearance that is not dictated by function alone").[7] Imposing a more restrictive functionality standard for trade dress makes sense, because trade dress is a common-law, judge-made doctrine that provides protection for an indefinite period of time to prevent consumer confusion. *See TrafFix*, 532 U.S. at 28-29 ("caution[ing] against misuse or overextension of trade dress"). In contrast, design patents are screened by the Patent Office and provide protection only for a limited period.[8]

2. Samsung separately argues (Pet. 24-25) that the district court should have provided a more detailed verbal construction of Apple's design patent claims. Neither the statute nor any decision of this Court requires a district court to use words to explain a design more clearly conveyed by illustrations. Rather, this Court has made clear that, while a utility patent might

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[7] Amici Professors (Samsung's only amici to discuss this issue) cherry-pick language to suggest (Br. 4) that the *Federal Circuit* has "eviscerated" the functionality doctrine. In fact, the Federal Circuit's test accords with the test laid out in *Bonito Boats*. *See Ethicon*, 796 F.3d at 1328 (citing *Bonito Boats* for the proposition that "[d]esign patents" that are "'dictated by'" function—*i.e.*, "primarily functional"—are invalid). Even Samsung concedes (Pet. 24) that the Federal Circuit's functionality test is "that a design must be 'dictated by function.'"

[8] Samsung and its amici also imply that Apple's design patents should be *invalidated* under the trade dress standard of functionality. *E.g.*, Pet. 24; Professors Br. 6. But the jury found the patents valid, and Samsung did not appeal that finding. *See supra* p. 12.

be "void on its face for want of a sufficient description and claim," a design patent is valid even if all that is claimed is a "photographic illustration" without any written description. *Dobson* v *Dornan*, 118 U.S. at 12-15 (upholding design patent that explained its claim only with a "photographic illustration" of a "six-inch square" of carpet). That is because a design "is better represented by the photographic illustration than it could be by any description, and a description would probably not be intelligible without the illustration." *Id.* at 14.

This focus on the overall visual appearance of a design—as opposed to how a court's language might translate it—is equally important in the infringement analysis. This Court explained that the test is whether "in the eye of an ordinary observer, giving such attention as a purchaser usually gives, two designs are substantially the same" such that "the resemblance is such as to deceive such an observer." *Gorham Co.* v. *White*, 81 U.S. (14 Wall.) 511, 528 (1872). In other words, a reasonable jury is not prevented from finding infringement by the "mere difference of lines in the drawing or sketch, a greater or smaller number of lines, or slight variances in configuration." *Id.* at 526-527. A contrary rule would "destroy all the protection which ... Congress intended to give. There never could be piracy of a patented design, for human ingenuity has never yet produced a design, in all its details, exactly like another ... that an expert could not distinguish them." *Id.* at 527.

To require in all cases a verbal description of the scope of a design patent would risk diverting focus from the design's overall ornamental appearance, potentially leading the jury to focus on minor (and legally insignificant) differences. *See Egyptian Goddess, Inc.* v. *Swisa, Inc.*, 543 F.3d 665, 679-680 (Fed. Cir. 2008) (en banc)

(detailed claim construction "risks ... placing undue emphasis on particular features of the design and ... risk[s] that a finder of facts will focus on each individual described feature in the verbal description rather than on the design as a whole"). Of course, while a court may *choose* to provide a verbal description of a design patent claim, there is no reason to *require* one as a categorical matter.

Contrary to Samsung's claim, the Federal Circuit's design patent ruling does not clash with this Court's *utility patent* decisions. *See* Pet. 24-25 (citing *Markman* v. *Westview Instruments, Inc.*, 517 U.S. 370 (1996); *Teva Pharm. USA, Inc.* v. *Sandoz Inc.*, 135 S. Ct. 831 (2015)). Utility patents are directed to persons skilled in the relevant art, *Markman*, 517 U.S. at 373, and thus often require technical insight to discern their limits. Infringement of a design patent, by contrast, does not turn on how a skilled expert would interpret technical language in a written instrument, *cf. id.* at 389-390, but on whether an ordinary observer would be deceived by the accused infringer's design—an issue that a jury can often readily determine by comparing the patented design to the accused products. *See supra* pp. 16-17, 21.

Accordingly, while the en banc Federal Circuit has stated that there is a "duty to conduct claim construction," it "has not prescribed any *particular form* that the [design patent] claim construction must take." *Egyptian Goddess*, 543 F.3d at 679-680 (emphasis added). To the contrary—because of the drawbacks discussed above—"[a]s a general matter, [district] courts *should not* treat the process of [design patent] claim construction as requiring a detailed verbal description of the claimed design, as would typically be true in the case of utility patents." *Id.* at 680 (emphasis added).

While there is no *per se* rule prohibiting a "detailed verbal description of the claimed design," "the preferable course ordinarily will be for a district court not to attempt" one if the drawings are clear as to what is protected. *Id.* at 679.

Here, the district court's claim construction was amply detailed. The court instructed the jury to consider "the ornamental design" of the patents-in-suit. Pet. App. 160a-161a. The court also provided guidance on how to understand the scope of each patented design. It noted, for example, that in the D'677 patent "[t]he broken lines ... constitute unclaimed subject matter," "[t]he use of solid bl[a]ck surface shading ... represents the color black," and "[t]he use of oblique line shading ... is used to show a transparent, translucent or highly polished or reflective surface." *Id.* 161a. It also instructed the jury that the D'087 patent "claims the front face [of an electronic device], a bezel encircling the front face of the patented design that extended from the front of the phone to its sides, and a flat contour of the front face," and that the "broken line showing of a display screen" in the D'305 patent "forms no part of the claimed design." *Id.* Samsung has shown no statute or decision of this Court requiring any more than that.

B. This Case Is A Poor Vehicle To Address Design Patent Infringement In Any Event

Certiorari is independently unwarranted because this case is a poor vehicle for both of Samsung's challenges to infringement.

As for Samsung's first argument regarding the treatment of "functionality" in the jury instructions, Samsung is strategically vague as to whether it be-

lieves that the district court should have instructed the jury to exclude functional features or should have done so itself. Both options undermine Samsung's argument. If Samsung wants this Court to hold that a *jury* should construe the patent to eliminate functional features (*see* Pet. 22), that is directly contrary to the principles espoused in *Markman* with respect to construction of utility patents and accordingly undermines Samsung's already tenuous claim of conflict with this Court's precedent. *See supra* pp. 20-23. Moreover, the jury *did* consider—and rejected—Samsung's assertion that Apple's design patents were invalid because they were dictated by function.

If Samsung means that the district court should itself have construed the claims to exclude functional features (*see* Pet. 22), that argument founders on the district court's conclusion—unchallenged on appeal—that no design element identified by Samsung was dictated by function. *See* Pet. App. 60a-61a; Apple C.A. Br. 31; *see also* Pet. 24 (district court found that "'Samsung had not shown'" that any elements were dictated by function).

This case is also a poor vehicle for Samsung's second argument—that the district court failed to provide sufficient verbal claim construction. As shown above, the district court gave the jury ample guidance. *See supra* p. 23. Moreover, Samsung did not raise the issue on appeal until a short paragraph in its reply brief. Samsung C.A. Corrected Reply Br. 3-4. The issue was accordingly waived; at the very least, the Federal Circuit panel lacked full briefing on the point. *See Advanced Magnetic Closures, Inc.* v. *Rome Fastener Corp.*, 607 F.3d 817, 833 (Fed. Cir. 2010). Unsurprisingly, the Federal Circuit panel did not address the issue in its opinion, which further cuts against granting certi-

orari. *E.g.*, *Meyer* v. *Holley*, 537 U.S. 280, 291 (2003) ("[I]n the absence of consideration of that matter by the Court of Appeals, we shall not consider it."); *NCAA* v. *Smith*, 525 U.S. 459, 470 (1999) ("[W]e do not decide in the first instance issues not decided below.").

II. THE FEDERAL CIRCUIT'S RULING ON DESIGN PATENT DAMAGES DOES NOT MERIT THIS COURT'S REVIEW

A. The Federal Circuit's Ruling Is Fully Consistent With § 289's Text, Legislative History, And Longstanding Judicial Interpretation

35 U.S.C. § 289 could not be clearer. Its title is an "[a]dditional remedy for infringement of [a] design patent," and it provides that the infringer of a design patent "shall be liable ... to the extent of his total profit." The Federal Circuit thus unremarkably held that § 289's text "explicitly authorizes the award of total profit from the [infringing] article of manufacture bearing the patented design." Pet. App. 28a; *see also Bergstrom* v. *Sears, Roebuck & Co.*, 496 F. Supp. 476, 495 (D. Minn. 1980) ("[I]t is unlikely that Congress would have used such all encompassing language if it intended that a design patentee could only recover profits attributable solely to the design or ornamental qualities of the patented article.").

This straightforward reading of § 289—that "total profit" means "total profit" and not "some profit"—is well supported by the statute's history and purpose. As the Federal Circuit explained in 1998, design patent holders asserting infringement before 1887 "could recover only the proportionate amounts [of profits] that were proven to be attributable to the patented feature." *Nike, Inc.* v. *Wal-Mart Stores, Inc.*, 138 F.3d 1437, 1441 (Fed. Cir. 1998). The remedy's inadequacy became apparent in the *Dobson* cases, where this Court

held several carpet design patents infringed, but awarded only six cents in damages "because the patentees could not show what portion of their losses or the infringers' profits was due to the ... unpatented carpet." *Id.* (discussing *Dobson* v. *Dornan*, 118 U.S. 10 (1886); *Dobson* v. *Hartford Carpet Co.*, 114 U.S. 439 (1885); *Dobson* v. *Bigelow Carpet Co.*, 114 U.S. 439 (1885)).

Congress overruled the *Dobson* decisions in relevant part by enacting the Design Patent Act of 1887, which created a special "rule of recovery for design patents" because "[i]t is expedient that the *infringer's entire profit* ... should be recoverable, as otherwise none of his profit can be recovered, *for it is not apportionable.*" 18 Cong. Rec. 834 (1887) (emphases added); *see supra* p. 5.[9]

The Federal Circuit's application of § 289 in this case broke no new ground. Eighteen years ago, the Federal Circuit's *Nike* decision observed that § 289's predecessor was "specific to design patents[and] removed the apportionment requirement." 138 F.3d at 1441. The Federal Circuit thus held that Wal-Mart was required to pay Nike its *pre*-tax (rather than *post*-tax) profits from infringement. *Id.* at 1448 ("The statute requires *the disgorgement of the infringers' profits* to the patent holder, such that the infringers retain no profit

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[9] Samsung selectively quotes the House Committee Report's passing statement that the 1887 Act's effect was "to give [consumers] more beautiful carpets and wall-papers and oil-cloths for the same money," 18 Cong. Rec. 834, and seeks to extrapolate a rule that § 289 only applies to "*single undifferentiated* article[s] of manufacture." Pet. 34; *see also* Google Br. 9-10. No such limitation appears in the statute and, in any event, the Federal Circuit ruled that Samsung's smartphone designs were not "distinct" from the phones' internal workings, Pet. App. 29a.

from their wrong." (emphasis added)). *Nike* was merely one in an unbroken line of cases, including several predating the creation of the Federal Circuit, that applied § 289 just as the courts below did here. *See, e.g.*, *Trans-World Mfg. Corp.* v. *Al Nyman & Sons, Inc.*, 750 F.2d 1552, 1567 (Fed. Cir. 1984) (section 289 overturned the *Dobson* rule that "an apportionment was required"); *Schnadig Corp.* v. *Gaines Mfg. Co.*, 620 F.2d 1166, 1171 (6th Cir. 1980) ("'[t]he patent law gives the right to recover all profits from an infringement'" of a design patent); *Henry Hanger & Display Fixture Corp. of Am.* v. *Sel-O-Rak Corp.*, 270 F.2d 635, 643-644 (5th Cir. 1959) ("Profits of the [design patent] infringer are evidence of the damages sustained by the holder of the patent and may be the measure of damages."). Although the Federal Circuit relied on these holdings, Pet. App. 28a, Samsung remarkably does not discuss them.

Congress has declined opportunities to modify this remedy for design patent infringement. "In 1946, Congress abolished the recovery of infringer profits for infringement of *utility patents* but left unchanged the special 'total profit' provision for design patents." 7 *Chisum on Patents* § 20.03[5] (emphasis added). And in 1952, Congress changed the wording of § 289 to eliminate a knowledge requirement, but kept the total profit remedy intact. *Nike*, 138 F.3d at 1442.

Contrary to Samsung's repeated and misleading implication (Pet. 19, 26, 27, 31, 32), the Federal Circuit did not agree with Samsung's amici's assertions that the statute's plain text produced "'absurd'" results or "'makes no sense in the modern world.'" Rather, the panel properly declined to consider "policy arguments that should be directed to Congress." Pet. App. 28a n.1; *see infra* p. 37. Besides, there is nothing absurd about an award of infringers' profits in this case—as Con-

gress recognized, it is exceedingly difficult to apportion the harm caused by blatant copying of a patented design. *See supra* pp. 5, 26. Indeed, several of Samsung's own amici before the Federal Circuit acknowledged that failing to award Apple "Samsung's entire profits" would have been "wrong as a matter of law." *E.g.*, Lemley, *A Rational System of Design Patent Remedies*, 17 Stan. Tech. L. Rev. 219, 220-221 & n.3 (2013).[10]

B. Samsung Identifies No Reason To Depart From § 289's Clear And Settled Meaning

1. There is no circuit split

Samsung fails to identify any case from this Court suggesting that a statute like § 289 should be read to mean the exact opposite of what it says. Nor does Samsung acknowledge that the courts of appeals have consistently followed the very interpretation of § 289 applied below. *See supra* pp. 26-27.

Instead, Samsung tries (Pet. 27-32) to generate uncertainty by focusing on isolated phrases taken out of context. Samsung argues that the requirement in the second paragraph of § 289 that the patent holder "shall not twice recover the profit *made from* the infringement" imposes an apportionment requirement. Pet. 30-32 (emphasis added). No court has adopted this inter-

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[10] *See also* Cotter, Apple v. Samsung *and Awards of Defendants' Profits*, intellectualIP (Aug. 29, 2012), http://intellectualip.com/2012/08/29/apple-v-samsung-and-awards-of-defendants-profits-the-potentially-for-overcompensatory-damages-in-design-patent-infringement-cases/ (jury's award "is permissible under design patent law"); Risch, *Functionality and Graphical User Interface Design Patents*, 17 Stan. Tech. L. Rev. 53, 60 (2013) ("[D]esign patents allow for much greater damages [than copyright]: *all* of the defendant's profits.").

pretation. The House Committee Report explained that the second paragraph simply "save[s] all the rights of defendants against any possible double recovery for the same infringement." 18 Cong. Rec. 834; *see also Catalina Lighting, Inc.* v. *Lamps Plus, Inc.*, 295 F.3d 1277, 1291 (Fed. Cir. 2002) (this language "'insure[s] that a patentee [can]not recover both the profit of an infringer and some additional damage remedy from the same infringer, such as a reasonable royalty'").[11]

Samsung also argues (Pet. 27-29) that the term "article of manufacture" should be read narrowly to mean the specific "*portion* of a product to which the patented design is applied." But it provides no reason why Congress would have contradicted its own clear statutory language about "total profit"—and the House Committee Report's analysis—in such a backhanded manner. *See supra* pp. 25-26; *Bilski* v. *Kappos*, 561 U.S. 593, 645 (2010) (Stevens, J., concurring) ("Congress 'does not, one might say, hide elephants in mouseholes.'").[12]

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[11] Amici's assertion (Professors Br. 17) that deletion of a phrase from the 1887 Act "suggests" an intent to impose a causation requirement is unavailing. Section 289 is a "consolidation of two sections of the old statute," which unsurprisingly required "some revision in language." Federico, *Commentary on the New Patent Act*, 75 J. Pat. & Trademark Off. Soc'y 161, 203 (1993). When Congress intends to change a statute's well-established meaning, it makes such intent "explicit in the statute, or at least ... mention[s] it at some point in the ... legislative history." *Chisom* v. *Roemer*, 501 U.S. 380, 396 (1991). Congress did neither here.

[12] CCIA ventures (Br. 8-10) that the term "article of manufacture" should be read in light of the 1998 Vessel Hull Design Protection Act, but provides no reason why the 1887 Congress's intent can be discerned from a very different (and "*sui generis*") law enacted well over a century later.

Samsung cites two cases from the Second Circuit—*Bush & Lane Piano Co.* v. *Becker Bros.*, 222 F. 902 (2d Cir. 1915), and *Bush & Lane Piano Co.* v. *Becker Bros.*, 234 F. 79 (2d Cir. 1916). But those hundred-year-old cases involved a very different factual situation. *See* Pet. App. 29a. The patentee sought to recover damages on two related, but analytically distinct, items—a piano and a piano case—where the design patent covered only the piano case. The Second Circuit's rejection of the patentee's claim is explained by the fact that a customer in 1915 could "have [a] piano placed in any one of several cases," such that the piano was not part of the infringing product. *See Bush & Lane*, 222 F. at 903.[13] By contrast, Apple's and Samsung's customers cannot select the smartphone casing or user interface separately from the smartphone. Pet. App. 29a ("The innards of Samsung's smartphones were not sold separately from their shells as distinct articles of manufacture to ordinary purchasers."). Rather, the iPhone's sleek, minimalist body (D'087 and D'677) and its brightly colored user interface (D'305) are what people envision when they think of the iPhone. CAJA24904-24905, 25173-25174, 25261; *see also supra* pp. 5-6. Indeed, even the 1915 *Bush & Lane* opinion agreed that, had the piano case been "inseparable from the article to which it is attached, or of which it is a part," it would be

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[13] While the Second Circuit noted in the 1916 *Bush & Lane* case that the 1915 opinion incorrectly stated that there were "*separate market[s]*" for a piano mechanism and a piano case, 234 F. at 83 (emphasis added), whether they were sold in a separate "market" does not change that they were separate *items*. Accordingly, Samsung is incorrect that the Second Circuit "expressly rejected" the notion that "'a piano and a piano case a[re] distinct articles of manufacture.'" Pet. 29 (quoting Pet. App. 29a).

"justice" to give the patentee "the entire profits made by the sale of the article." 222 F at 904.

Moreover, it is not clear that the *Bush & Lane* cases are good law even in the Second Circuit. They conflict directly with the Second Circuit's prior decision in *Untermeyer* v. *Freund*, 58 F. 205 (2d Cir. 1893), which held that § 289's predecessor permitted an award of "the *total profit* from the manufacture or sale of the article to which the [patented] design was applied, as distinguished from the pre-existing rule of the profit which could be proved to be attributable to the design." *Id.* at 212 (emphasis added); *see also Bush & Lane*, 222 F. at 905-906 (Ward, J. dissenting) (acknowledging this conflict); *United States* v. *Snow*, 462 F.3d 55, 65 n.11 (2d Cir. 2006) ("[A] prior decision of a panel of this court binds all subsequent panels.'"). Indeed, the Second Circuit openly acknowledged that it was engaging in "apportion[ment]," *Bush & Lane*, 234 F. at 83, which is contrary to the statute's text and purpose, *see supra* pp. 25-28.

Young v. *Grand Rapids Refrigerator Co.*, 268 F. 966 (6th Cir. 1920), is also factually inapposite. There, the patentee did not even "seriously contend[] that all the profits from the refrigerator belonged to" him. *Id.* at 974-975. That concession made sense because the case involved the design of a *de minimis* portion of a refrigerator—a single latch. *Id.* In contrast, Apple's patents protect the overall look-and-feel of the iPhone, which is in no way *de minimis*. *See supra* pp. 5-6.

Finally, Samsung's citation to *In re Zahn*, 617 F.2d 261 (C.C.P.A. 1980), only reveals how little authority Samsung has for its position. Samsung did not cite *Zahn* to the Federal Circuit at any point, doubtless be-

cause *Zahn* involved a question of patent validity, not the remedy available under § 289. *Id.* at 267-268.

2. Samsung's analogies to other legal contexts are inapt

Samsung also attempts to impose the apportionment requirement rejected by Congress and the courts of appeals by arguing that § 289 conflicts with damages remedies in other legal contexts. Pet. 30-34 (invoking, *inter alia*, utility patents, copyright, securities law, RICO, and the Violence Against Women Act); *see also* Google Br. 14-15 (analogizing to utility patent doctrines); Professors Br. 13-14 (same). But remedies governed by *different* statutory provisions or the common law cannot justify disregarding § 289's plain language and clear legislative history.

To take just one example, Samsung claims (Pet. 31) that *Sheldon* v. *Metro-Goldwyn Pictures Corp.*, 309 U.S. 390 (1940), interpreted "similar language" in the 1909 Copyright Act to impose a causation requirement. But the statutory language is in fact quite different. The 1909 Copyright Act states that an infringer is liable

> "[t]o pay to the copyright proprietor such damages as the copyright proprietor may have suffered due to the infringement, *as well as all the profits which the infringer shall have made from such infringement.*"

Sheldon, 309 U.S. at 399 (emphasis added). In contrast, § 289 entitles the patentee to the infringer's total profit without the Copyright Act's immediate qualification that the plaintiff is entitled only to the "profits … made from such infringement":

> Whoever during the term of a patent for a design, ... applies the patented design or any colorable imitation thereof, to any article of manufacture for the purposes of sale ... *shall be liable to the owner to the extent of his total profit, but not less than $250*, recoverable in any United States district court having jurisdiction of the parties.

(Emphasis added.) In making the comparison to *Sheldon*, Samsung focuses (Pet. 31) on language at the tail end of the second paragraph of § 289, but, as discussed above, this language merely prohibits double recovery. *See supra* pp. 28-29.[14]

Samsung argues in passing that the Federal Circuit's ruling creates "serious constitutional questions." Pet. 38-39; *see also* CCIA Br. 5-7. They were apparently not serious enough to warrant inclusion in Samsung's petition for rehearing or motion to stay the mandate. *See* C.A. Dkts. 159, 208. And rightly so—the Federal Circuit's ruling did not suddenly "'enlarge'[]" the patent monopoly. *See* Pet. 38. It merely held that the jury *was entitled* (not required) to award Samsung's total profits on smartphones that copy the patented and valuable look-and-feel of the iconic iPhone. *See supra* p. 12. *Graham* v. *John Deere Co.*, 383 U.S. 1, 3 (1966), is

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[14] *Sheldon* also relied heavily on the fact that the infringer's profits remedy for *utility* patents required apportionment. 309 U.S. at 399-404. The legislative history for the Copyright Act not only had "no suggestion that Congress intended that the award of profits should be governed by a different principle in copyright cases [compared to utility patent cases,] but the contrary is clearly indicated by the committee reports on the bill." *Id.* at 400. As shown above, however, § 289 and its legislative history make crystal clear that Congress's remedies for design patent infringement are *different* from utility patent remedies. *See supra* pp. 25-26.

thus inapposite—it speaks to constitutional limitations on patentability, not limits on *remedies*.

III. This Case Does Not Present An Important Question Requiring This Court's Resolution

Samsung's insistence (Pet. 35) that the rulings challenged in its petition create a "sea change in the law" is a vast misstatement. The Federal Circuit's decision simply carries forward well-established principles of over a century of precedent, applied to the particular facts and circumstances of this record. *See supra* pp. 13-23, 25-28.

Samsung's sea-change assertion relies largely on speculative policy arguments, such as its warning that the Federal Circuit's ruling would "*require*" an award of total profits for a truck based on an infringing cupholder. *See* Pet. 31-32 (emphasis added); *see also, e.g.*, Public Knowledge Br. 2. But an award of total profits is a *ceiling* on the jury verdict, not a floor. As the district court instructed the jury, § 289 merely gives the *option* to award total profit. Pet. App. 165a ("If you find infringement by any Samsung Defendant and do not find Apple's design patents are invalid, you *may* award Apple that Samsung defendant's total profit ...." (emphasis added)). Moreover, this case is not remotely comparable to Samsung's extreme hypotheticals. Apple's design patents do not cover a minor component of the iPhone; they cover the overall appearance of the device's distinctive front face, bezel, and graphical user interface—in other words, the iconic look and feel of Apple's iPhone. *See supra* p. 6; Apple C.A. Br. 7-9 (illustrations of Apple's design patents).[15]

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[15] Public Knowledge premises its brief on the mistaken assumption that the Federal Circuit's ruling *requires* a jury that

Samsung also claims (Pet. 32) that the Federal Circuit's ruling would "allow multiple recoveries of a manufacturer's profits," but that is abstract speculation about an issue not present in this case. Indeed, Samsung fails to identify *any* case where this supposed problem has arisen. If it did, the infringer could always avoid multiple recovery through established mechanisms such as impleader, as one of Samsung's own amici has explained. *See* Lemley, 17 Stan. Tech. L. Rev. at 231.

Finally, Samsung threatens (Pet. 36-37) that the Federal Circuit's decision encourages design "patent trolls." Once again, Samsung fails to identify even a single example supporting its alarmist hypothetical. Unlike in the utility patent world, where non-practicing patent assertion entities are numerous, Samsung cannot name one entity with a valid design patent that has reaped undeserved rewards by leveraging the inter-

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finds design patent infringement to award total profit, but fails to identify any such holding in the opinion below.

Amicus Systems' self-interested arguments about the scope of § 289 emphasize a different decision by a later Federal Circuit panel and thus have little relevance to whether certiorari should be granted in this case. *See* Systems Br. 6-7 (discussing Systems' loss in recent Federal Circuit decision); *see also Nordock, Inc.* v. *Systems, Inc.*, 803 F.3d 1344, 1354 (Fed. Cir. 2015) ("'Section 289 explicitly *authorizes* the award of total profit ....'" (emphasis added)). And Google's submission should be viewed with particular skepticism, as Google is not a neutral third party: "Google is the developer of Android, a platform for mobile devices such as smartphones and tablet computers, and *particular versions of Android running on the Samsung products that are the subject of the Order*." Google Mot. for Leave to File Brief 4, Dkt. 55, No. 2013-1129, *Apple Inc.* v. *Samsung Elecs. Co.* (Fed. Cir. May 6, 2013) (emphasis added); *see also* Pet. 9 (Samsung uses "Google's Android operating system for its flagship products").

pretation of § 289 that has been on the books since at least the 1998 *Nike* decision.

While Samsung and its amici reference district court cases where § 289 has been invoked, all three involve disputes between competitors, not between a non-practicing entity and a legitimate business. *See Pacific Coast Marine Windshields Ltd.* v. *Malibu Boats, LLC*, 2014 WL 4185297, at *1-3 (M.D. Fla. Aug. 22, 2014); Compl. 1-2, 10, Dkt. 1, No. 14-cv-7009, *Skechers U.S.A., Inc.* v. *DB Shoe Co.* (C.D. Cal. Sept. 8, 2014); Compl. 1, Dkt. 1, No. 15-cv-5836, *Microsoft Corp.* v. *Corel Corp.* (N.D. Cal. Dec. 18, 2015). Even the source Samsung cites (Pet. 37-38) for its claim that non-practicing entities "have already seized on the [Federal Circuit's] decision to demand sizeable payments" is a blog post that discusses a questionable demand letter premised on a "'*pending*'"—*i.e.*, as yet unissued—"'design patent portfolio.'" Macri, *Patent Trolls Are Already Abusing the* Apple v. Samsung *Ruling*, InsideSources (Oct. 1, 2015) (noting that the portfolio "list[s] a series of functionalities patented under a *utility* patent ... that doesn't belong" to the author of the demand letter (emphasis added)).[16] Tellingly, Samsung's amici can do no better—they invoke the same underlying example. Google Br. 17; CCIA Br. 12; Public Knowledge Br. 8.

The lack of concrete instances of "design patent trolls" is unsurprising. Patent trolls may succeed in anticipating technological features and acquiring corresponding *utility* patents, but it is much harder to anticipate product *designs* before they are released—

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[16] http://www.insidesources.com/patent-trolls-are-already-abusing-the-apple-v-samsung-ruling/.

particularly given that innovative design companies typically give their products a unique look to differentiate their brand. Even if a troll anticipated what design patents might prove lucrative, it would be highly unusual for a design innovator to sell, assign, or license design rights to a troll. While a company might monetize unused utility patents through sale or license, it will typically keep its design rights to avoid giving away control of its brand.[17]

Even if Samsung's doomsday warnings were well-founded (though that is highly doubtful), such policy considerations are best addressed by Congress. Pet. App. 28a n.1; *see also, e.g.*, *Microsoft Corp.* v. *AT&T Corp.*, 550 U.S. 437, 458-459 (2007) ("If the patent law is to be adjusted ..., the alteration should be made after focused legislative consideration, and not by the Judiciary ...."). Ultimately, "[i]t is for Congress to determine if the present system of design and utility patents is ineffectual." *Bonito Boats*, 489 U.S. at 167-168.

* * *

Samsung had its day in court—many days, in fact—and the properly instructed jury was well-justified in finding that Samsung copied Apple's designs and should pay the damages that the statute expressly authorizes. While this litigation may be high-profile, it is legally unexceptional, and Samsung has shown no reason for this Court to prolong it.

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[17] Apple is particularly protective of its design rights and would never license them to enable a competitor to manufacture a cloned smartphone. CAJA41961-41963 (Apple "strongly desire[s] not to license" the "unique user experience" portion of its portfolio, which includes its design patents).

CONCLUSION

The petition for a writ of certiorari should be denied.

Respectfully submitted.

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IN THE

Supreme Court of the United States

SAMSUNG ELECTRONICS CO., LTD., SAMSUNG ELECTRONICS AMERICA, INC., AND SAMSUNG TELECOMMUNICATIONS AMERICA, LLC,
Petitioners,

v.

APPLE INC.,
Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

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TABLE OF CONTENTS

	Page
INTRODUCTION	1
ARGUMENT	2
I. CERTIORARI IS WARRANTED ON WHETHER DESIGN-PATENT INFRINGEMENT MAY BE BASED ON NON-ORNAMENTAL FEATURES	2
II. CERTIORARI IS WARRANTED ON WHETHER A DESIGN-PATENT HOLDER IS ENTITLED TO AN INFRINGER'S ENTIRE PROFITS	6
III. THE PETITION PRESENTS QUESTIONS OF ENORMOUS NATIONAL IMPORTANCE	11
CONCLUSION	12

TABLE OF AUTHORITIES

CASES Page(s)

Bobcar Media, LLC v. Aardvark Event Logistics, Inc., No. 1:16-cv-885 (S.D.N.Y. Feb. 4, 2016).... 11

Bonito Boats, Inc. v. Thunder Craft Boats, Inc., 489 U.S. 141 (1989)..... 4

Bush & Lane Piano Co. v. Becker Bros., 222 F. 902 (2d Cir. 1915)..... 8, 9

Bush & Lane Piano Co. v. Becker Bros., 234 F. 79 (2d Cir. 1916)..... 8

Dobson v. Dornan, 118 U.S. 10 (1886)..... 7

Henry Hanger & Display Fixture Corp. v. Sel-O-Rak Corp., 270 F.2d 635 (5th Cir. 1959)..... 8

Markman v. Westview Instruments, Inc., 517 U.S. 370 (1996)..... 5, 6

Microsoft Corp. v. Corel Corp., No. 5:15-cv-05836 (N.D. Cal. Dec. 18, 2015)..... 12

Nike, Inc. v. Wal-Mart Stores, Inc., 138 F.3d 1437 (Fed. Cir. 1998)..... 8

Nordock, Inc. v. Systems Inc., 803 F.3d 1344 (Fed. Cir. 2015)..... 10, 11

Qualitex Co. v. Jacobson Products Co., 514 U.S. 159 (1995)..... 4

TABLE OF AUTHORITIES—Continued

Page(s)

Schnadig Corp. v. Gaines Mfg. Co.,
620 F.2d 1166 (6th Cir. 1980) 8

TrafFix Devices, Inc. v. Marketing Displays, Inc.,
532 U.S. 23 (2001) 4

Trans-World Mfg. Corp. v. Al Nyman & Sons Inc.,
750 F.2d 1552 (Fed. Cir. 1984) 8

Untermeyer v. Freund,
50 F. 77 (C.C.S.D.N.Y. 1892) 9

Untermeyer v. Freund,
58 F. 205 (2d Cir. 1893) 8

Young v. Grand Rapids Refrigerator Co.,
268 F 966 (6th Cir. 1920) 9

STATUTES AND RULE

35 U.S.C. 171 4

35 U.S.C. 289 ..... 6, 7, 8, 9, 10

Fed. R. Civ. P. 14(a)(1) 11

LEGISLATIVE MATERIALS

18 Cong. Rec. 834 (1887) 7

OTHER AUTHORITIES

BLACK'S LAW DICTIONARY (1st ed. 1891) 7

Mark A. Lemley, *A Rational System of Design Patent Remedies*,
17 STAN. TECH. L. REV. 219 (2013) 10

TABLE OF AUTHORITIES—Continued

Page(s)

WEBSTER'S NEW INTERNATIONAL DICTIONARY (2d ed. 1949)..... 4

INTRODUCTION

In suggesting that the decision below poses no issue worthy of review, Apple's brief in opposition disregards the contrary view of nine high-technology companies,[1] thirty-seven intellectual-property professors,[2] three groups representing minority and rural communities,[3] two public interest organizations,[4] a high-tech industry organization,[5] and a small company[6] that have filed amicus briefs in support of the petition. As amici underscore, the decision below absurdly permits the holder of a narrow design patent to obtain a defendant's entire profits on a product embodying hundreds of thousands of other patented features—based merely on a jury's unguided look at a patent illustration. The decision below thus enlarges design-patent rights and remedies far beyond those attaching to any other form of intellectual property, granting unjustified windfalls and chilling innovation. It is high time, after a 120-year hiatus, that this Court again examine the scope and valuation of design patents. The law of the

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[1] Brief for Dell, eBay, Facebook, Google, HP, Hewlett Packard Enterprise, Newegg, Pegasystems, and Vizio as *Amici Curiae* Supporting Petitioners.

[2] Brief *Amici Curiae* of 37 Intellectual Property Professors in Support of Petition for Certiorari.

[3] Brief of *Amici Curiae* Hispanic Leadership Fund, National Black Chamber of Commerce, and National Grange in Support of Petitioner.

[4] Brief of Public Knowledge and the Electronic Frontier Foundation as *Amici Curiae* in Support of Petitioners.

[5] Brief *Amicus Curiae* of the Computer & Communications Industry Association in Support of Petitioner.

[6] Brief of Systems, Inc. as *Amicus Curiae* in Support of Petitioners.

smartphone cannot follow reflexively from the law of the spoon. This case presents the perfect vehicle for much-needed clarification by this Court in an area of great importance to the national economy.

ARGUMENT

I. CERTIORARI IS WARRANTED ON WHETHER DESIGN-PATENT INFRINGEMENT MAY BE BASED ON NON-ORNAMENTAL FEATURES

1. One would never know from reading Apple's brief in opposition that this case involves three narrow design patents on minor, partial smartphone components. Apple never even depicts the three patent *figures* at issue (*see* Pet. 11-13), preferring instead to load its brief with pictures of *products* (BIO 7, 8, 10, 16, 17) containing multiple other features and functions involving other patents. Rather than focus on its three narrow design patents, Apple repeatedly incants broad, vague design concepts:

- "the iPhone's innovative look" (BIO 2)
- "the iPhone's innovative design" (BIO 2)
- "Apple's Iconic iPhone Designs" (BIO 5-6)
- "the iPhone's distinctive overall appearance" (BIO 6)
- "the iPhone's distinctive appearance" (BIO 7)
- "the iPhone's design" (BIO 11)
- "the iPhone's sleek, minimalist body" and "brightly colored user interface" (BIO 30)
- "what people envision when they think of the iPhone" (BIO 30)

- "the overall look-and-feel of the iPhone" (BIO 31)
- the "look-and-feel of the iconic iPhone" (BIO 33)
- "the iconic look and feel of Apple's iPhone" (BIO 34)

Apple's rhetorical excess shows exactly what went wrong below. Apple asserted no patents on the iPhone's "iconic design" or "look-and-feel." It asserted three narrow design patents protecting the *ornamental material inside the solid lines* in the D'677 and D'087 patent figures (Pet. 11-12) and the *single graphical user interface* screen depicted in the D'305 patent (Pet. 13). But by failing to limit the jury's infringement inquiry to the three specific design patents' protected ornamental scope, the district court, affirmed by the Federal Circuit, left the jury free to hand over Samsung's entire profits based on the iPhone's "iconic" status and "look-and-feel."

a. Apple suggests (BIO 15) that the jury instructions "clearly informed the jury what aspects of Apple's design patents were and were not protected." That suggestion is incorrect, and its error only highlights the need for this Court's review.

First, every instruction Apple cites (BIO 14-15) is tautological. No matter how many times the district court told the jury to look at "ornamental design," it never told the jury what "ornamental" means.

Second, Apple quotes (BIO 14-15, 17) only the jury instructions on claim construction (No. 43) and Samsung's affirmative defense of invalidity (No. 52), failing even to mention (much less defend) the *infringement* instruction (No. 46). That is Hamlet without the Prince. The infringement instruction

(Pet. App. 162a-163a) directed the jury to "consider any perceived similarities or differences between the patented and accused designs" and to compare the designs' "overall appearances"—including similarities in non-ornamental aspects of Apple's designs like round corners, rectangles, and a colorful grid. In approving that instruction (Pet. App. 21a-23a), the Federal Circuit accorded Apple a monopoly over design concepts broader than the specific ornamental configurations depicted in the patent figures—an unjustified windfall that will chill innovation and clearly warrants the Court's review.

Third, Apple only underscores the need for review in suggesting (BIO 14-15) that the infringement instruction is rescued by the invalidity instruction. Even if instructions concerning a separate claim and affirmative defense could be "[t]aken as a whole" (BIO 15), the Federal Circuit's "dictated by function" test for invalidity (Pet. App. 164a) conflicts with the Patent Act and other intellectual-property law. Specifically, 35 U.S.C. 171 protects only "ornamental design," or something "added to embellish or adorn," WEBSTER'S NEW INTERNATIONAL DICTIONARY 1722 (2d ed. 1949), and Congress has declined to extend that narrow protection to the vast realm of industrial design, as this Court noted in *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 167-68 (1989). But the Federal Circuit's test turns that restrictive approach on its head—since almost no product design is "dictated by" function, the Federal Circuit treats virtually every product design as "ornamental," even if it contains predominantly functional features. Such a monopoly over "useful product feature[s]" is forbidden under trade-dress law, *Qualitex Co. v. Jacobson Products Co.*, 514 U.S. 159, 164 (1995); *see TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S.

23, 33 (2001)—as the decision below demonstrated (Pet. App. 6a-18a) in invalidating Apple's trade dresses as functional. Apple offers no reason why the very same features of a smartphone's front face or GUI should be functional for trade-dress purposes but not for design-patent purposes. *See* Professors' Br. 5.

b. Apple likewise mischaracterizes the record. Apple asserts (BIO 17-18, 24) that its designs are entirely ornamental. But there was overwhelming evidence (*see* Pet. 15, 23 n.16) that many features of Apple's patented designs were functional or structural, as the Federal Circuit's trade-dress ruling confirms. And contrary to Apple's suggestion (BIO 16), the "alternative design" evidence simply showed that such features as a large clear cover over a rectangular screen and a speaker opening at the top of the phone are "absolutely functional"—as Apple's own witnesses agreed (Pet. 15).

Apple repeats here (*e.g.*, BIO 2, 6-7, 9, 10, 11, 37) its trial mantra that Samsung "copied" Apple's designs. But record testimony rebuts this assertion. *See* Dist. Ct. ECF 1840 at 2523; 1841 at 2818-21; Def. Exs. 684, 2627 at 25-26. And contrary to Apple's suggestion (BIO 6), Samsung's "crisis of design" statement referred to problems with an old, pre-Android *operating system*, not with the look of Samsung's products. *See* A25349; Dist. Ct. ECF 1611 at 997-99; 2840 at 776; 2842 at 1046-47.

2. Apple also fails (BIO 20-23) to harmonize the decision below with this Court's holdings that courts, not juries, must construe patent claims. Apple cannot distinguish (BIO 22) *Markman v. Westview Instruments, Inc.*, 517 U.S. 370 (1996), and its progeny on the ground that design-patent infringement is the

domain of the "ordinary observer" and not a "skilled expert." This Court's concerns about uniformity and preserving room for innovation, *id.* at 390, apply to design as well as utility patents. And the very fact that design-patent scope is assessed through the eyes of jurors rather than experts only underscores the need for district court guidance.[7]

II. CERTIORARI IS WARRANTED ON WHETHER A DESIGN-PATENT HOLDER IS ENTITLED TO AN INFRINGER'S ENTIRE PROFITS

As Apple does not dispute, the Federal Circuit's entire-profits rule creates "extreme" results (BIO 34). Under that rule, a design patent on a cup-holder would entitle the patent-holder to the total profits from a car or truck with an integrated infringing cup-holder. Apple identifies nothing in Section 289's text or history that compels such results or justifies departure from bedrock principles of causation and proportionality.

1. Apple disregards most of Section 289's text, elevating the phrase "total profits" above all the surrounding language. But Section 289 also refers to the "article of manufacture to which [the infringing] design ... has been applied" and reinforces that the relevant "profits" are those "made from the infringement." *See* Pet. 27-31. Thus, under the correct reading (as amici agree, *e.g.*, Dell Br. 13), Apple is entitled at most to Samsung's profits from the "article of manufacture" to which the designs are "applied"—namely, the phone's particular front face, particular

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[7] Apple's attempt to conjure vehicle problems here (BIO 23-25) is baseless. Samsung clearly litigated both functionality and claim construction on appeal. *See* Pet. App. 20a-23a.

front face with bezel, and specific GUI screen with a particular layout of icons—and not Samsung's entire profits on its phones.

Apple fails to dispel these textual limitations. *First*, Apple nowhere disputes that an "article" may be "one of several things ... forming a whole," BLACK'S LAW DICTIONARY 92 (1st ed. 1891). And the statute is clear that the relevant "article" is the *particular* one (*e.g.*, the face, face with bezel, or GUI screen) to which the "design ... has been applied." *Second*, Apple contends (BIO 28-29) that Section 289's "made from the infringement" clause only bars double recovery, but when the statute is read as a whole, that phrase necessarily qualifies "total profits." Pet. 30.

2. Apple misconstrues (BIO 25-26) the legislative history. The 1887 Congress sought to overturn rulings that patent-holders could recover only the "value imparted to the carpet *by the design*," *Dobson v. Dornan*, 118 U.S. 10, 17 (1886) (emphasis added), and concluded that recovery should include "the infringer's entire profit *on the article*," 18 Cong. Rec. 834 (1887) (emphasis added). But Congress was considering only single-article products like oil-cloths and wallpaper, as to which "'designs are the principal feature.'" Dell Br. 10 (quoting 18 Cong. Rec. at 835); *see* Pet. 34-35; Professors' Br. 11-14. Congress did *not* consider complex, multicomponent products, nor did it preclude the possibility that multiple *articles* might be combined into an *end product*.

3. Apple identifies no prior decision holding that Section 289 entitles a design patentee to the total profits of a complex product no matter how little the infringing features contributed to the value of the product. None of Apple's cited decisions (BIO 27) in fact "applied § 289 just as the courts below did here."

Two concerned whether infringer's profits should be awarded on a pre-tax or post-tax basis, *see Nike, Inc. v. Wal-Mart Stores, Inc.*, 138 F.3d 1437, 1447-48 (Fed. Cir. 1998); *Schnadig Corp. v. Gaines Mfg. Co.*, 620 F.2d 1166, 1169-71 (6th Cir. 1980); one declined to award profits for an article not covered by the infringed design patent, *see Trans-World Mfg. Corp. v. Al Nyman & Sons Inc.*, 750 F.2d 1552, 1566-68 (Fed. Cir. 1984); and one did not address the reach of Section 289 at all, *see Henry Hanger & Display Fixture Corp. v. Sel-O-Rak Corp.*, 270 F.2d 635, 643-44 (5th Cir. 1959).

Nor can Apple avoid the stark conflicts between the Federal Circuit's decision and the decisions of the Second and Sixth Circuits. Contrary to Apple's suggestion (BIO 30), the Second Circuit's *Piano Cases* limited infringer's profits to the piano case (not the piano) not because piano cases were sold separately but rather because the "subject of the patent" was the piano case. *Bush & Lane Piano Co. v. Becker Bros.* ("*Piano I*"), 222 F. 902, 904 (2d Cir. 1915). Contrary to Apple's suggestion (BIO 30-31), the Second Circuit's reference to designs "inseparable from" articles, *Piano I*, 222 F. at 904, referred only to articles like the *Gorham* spoon in which design, article, and product are coextensive. And contrary to Apple's suggestion (BIO 30 n.13), the Second Circuit did not treat the piano and the case as "separate *items*" even if not sold in separate markets, for it noted that a book and its patented binding are "different articles" even though sold as a single item. *Bush & Lane Piano Co. v. Becker Bros.*, 234 F. 79, 82 (2d Cir. 1916).

Apple incorrectly suggests (BIO 31) that the *Piano Cases* conflict with the Second Circuit's prior decision in *Untermeyer v. Freund*, 58 F. 205 (2d Cir. 1893). The

"article of manufacture" for which profits could be recovered there was the watch case, not the watch. *See Untermeyer v. Freund*, 50 F. 77, 77-78 (C.C.S.D.N.Y. 1892); *Piano I*, 222 F. at 905 (noting same).

And Apple fails (BIO 31) to distinguish *Young v. Grand Rapids Refrigerator Co.*, 268 F. 966 (6th Cir. 1920), by grafting a *de minimis* exception onto Section 289. The ruling below recognizes no such exception and would permit the holder of a patent for a refrigerator latch to recover all the profits from sales of refrigerators containing that latch, in conflict with *Young*.

4. Apple now seeks (BIO 33-34) to rewrite the decision below as holding merely that Section 289 permitted but did not require an award of Samsung's total profits on its smartphones. But the record clearly shows the contrary. The jury instructions directed that "Apple is entitled to all profit earned ... on sales of articles that infringe Apple's design patents." Pet. App. 165a.[8] The order denying JMOL rejected any requirement that Apple show that infringing acts were "responsible for all of Samsung's profits." Pet. App. 133a. And the Federal Circuit similarly rejected any causation requirement, holding that Section 289 does *not* require infringer's profits to be "limited to the profit attributable to the infringement." Pet. App. 27a; *see id.* 28a.

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[8] Apple points (BIO 12 & n.3) to a preceding sentence in the instruction stating "you may award Apple" Samsung's "total profit attributable to the infringing products" (Pet. App. 165a), but the use of the term "may" did not make the award of total profits under Section 289 optional. The subsequent instructions (A44036-38) make clear that the term "may" merely allowed the jury to choose infringer's profits under Section 289 *or* lost profits or a reasonable royalty under Section 284.

And if there remained any doubt, the Federal Circuit confirmed in *Nordock, Inc. v. Systems Inc.*, 803 F.3d 1344 (Fed. Cir. 2015), *pet. for cert. filed*, No. 15-978 (Jan. 28, 2016), that it views Section 289 as *entitling* a design patent holder to "*total* profits for the sale of [products] found to infringe," *id.* at 1356-57 (emphasis added). Citing the decision below, *Nordock* remanded for correction of an award in a lesser amount.

Apple in any event argued throughout the litigation below that it was entitled to *all* Samsung's profits on its phones, not just any fraction attributable to infringement. It (i) moved successfully to bar Samsung from introducing any apportionment testimony (Dist. Ct. ECF 940-1 at 21; 1059-1 at 12; 1157 at 9); (ii) stated in the joint pretrial statement that it "is entitled to recover all of Samsung's profits relating to the accused products without apportionment" (Dist. Ct. ECF 1189 at 18); (iii) proposed an instruction that the jury should award total smartphone profits and "not just the portion of profit attributable to the design" (A6980); (iv) argued in its trial brief for "all profits received by the infringer for sale of the product" (Dist. Ct. ECF 1299-2 at 21-22); and (v) in closing argument, told the jury that "an infringer must give back all of the profits earned from the sales that infringed ..., not just part of that [profit]" (Dist. Ct. ECF 1997 at 4124). Apple got exactly what it wanted—Samsung's total profits on its sale of smartphones and not any fraction attributable to Apple's three narrow designs.

Apple suggests (BIO 35) that impleader could avoid multiple disgorgements. But the very professor it cites rejected this idea as "absurd." Mark A. Lemley, *A Rational System of Design Patent Remedies*, 17 STAN.

TECH. L. REV. 219, 231-32 (2013). A defendant sued multiple times for design-patent infringement would have to establish that the first plaintiff, having recovered the defendant's "total profits," is somehow "liable to [the defendant] for all or part of" the second or successive plaintiff's infringement claim. *See* Fed. R. Civ. P 14(a)(1). Apple does not explain how that scenario could ever come about, or how it would avoid overcompensating the first plaintiff.

III. THE PETITION PRESENTS QUESTIONS OF ENORMOUS NATIONAL IMPORTANCE

Contrary to Apple's effort to minimize the importance of this case (BIO 34-37), the Federal Circuit's combined rulings overprotecting and over-compensating design patents will have significant and adverse effects on the national economy. The ruling will unleash abusive litigation, chill innovation and thwart competition, as amici confirm. *See* Dell Br. 15-19; Public Knowledge Br. 4-10; HLF Br. 5-8; Professors' Br. 1-2; CCIA Br. 7, 11-13. This regime will affect virtually every design-patent case involving modern technological products that (in contrast to rugs and spoons) typically combine thousands of features, many of which have functional elements. *See, e.g.*, Dell Br. 6-8; Professors' Br. 6, 13. And this regime will lead to punitive and draconian total-profits awards.

Apple suggests (BIO 35-36) that such concerns are merely hypothetical. But many suits seeking design-patent awards far exceeding any inventive contribution are already in progress, as detailed in the amicus brief of Systems, Inc.—the defendant in *Nordock*, 803 F.3d 1344. *See* Systems Br. 6-10; *see also, e.g., Bobcar Media, LLC v. Aardvark Event*

Logistics, Inc., No. 1:16-cv-885 (S.D.N.Y. Feb. 4, 2016); *Microsoft Corp. v. Corel Corp.*, No. 5:15-cv-05836 (N.D. Cal. Dec. 18, 2015).

Moreover, contrary to Apple's speculation (BIO 36-37), there is no question that "patent trolls" will seize upon the Federal Circuit's opinion. They have already done so. Pet. 37-38 & n.24. With the opportunity to reap a total-profits windfall from even the most minor design patents, it is inevitable that many more cases will arise. This inevitable wave of patent litigation is all the more reason to grant review.

CONCLUSION

The petition should be granted.

Respectfully submitted,

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Supreme Court of the United States

SAMSUNG ELECTRONICS CO., LTD.,

Petitioner,

v.

APPLE INC.,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF *AMICUS CURIAE* OF THE COMPUTER & COMMUNICATIONS INDUSTRY ASSOCIATION IN SUPPORT OF PETITIONER

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TABLE OF CONTENTS

Page

TABLE OF CONTENTS i

TABLES OF CITED AUTHORITIES ii

INTEREST OF *AMICUS CURIAE* 1

RELEVANT CONSTITUTIONAL PROVISIONS AND STATUTES 1

INTRODUCTION AND SUMMARY OF ARGUMENT 2

ARGUMENT 4

I. The Federal Circuit's Interpretation of Section 289 Expands the "Exclusive Right" Described in the Progress Clause to Far More Than the Inventor Invented 5

II. The Constitutionality Concerns With Respect to Section 289 Can Be Avoided By Not Limiting "Article of Manufacture" to Goods Sold 8

III. Patent Assertion Entities Will Use The Federal Circuit's Interpretation of Section 289 to Increase Their Leverage 11

CONCLUSION 13

TABLE OF CITED AUTHORITIES

Page

Cases

Bonito Boats, Inc. v. Thunder Craft Boats, Inc.,
489 U.S. 141 (1989) 8

Graham v. John Deere Co.,
383 U.S. 1 (1966) 7

In re Zahn,
617 F.2d 261 (C.C.P.A. 1980) 10

Jones v. United States,
529 U.S. 848 (2000) 8

Pacific Coast Marine Windshields Ltd. v. Malibu Boats, LLC,
No. 6:12-cv-00033 (M.D. Fla. Aug. 22, 2014) 3

Statutes

17 U.S.C. § 1301 ..... 9, 10

17 U.S.C. § 1309 9

17 U.S.C. § 1329 10

17 U.S.C. §§ 1310–20 9

Cited Authorities

Page

35 U.S.C. § 289 ..... *passim*

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AIPLA, *Report of the Economic Survey 2013* (July 2013) 11

Letter from Samuel K. Giles, Managing Director, Intellectual Capital Consulting, LLC, to Gregory Lee, Samsung Telecommunications America, LLC (June 2, 2015) 12

H.R. REP. No. 105-436 (1998) 8, 9

Constitutional Provisions

U.S. CONST., art. I, § 8, cl. 8 ..... 1, 2, 5

INTEREST OF *AMICUS CURIAE*[1]

The Computer & Communications Industry Association ("CCIA") is an international, nonprofit association representing a broad cross section of computer, communications and Internet industry firms employing more than 750,000 workers and generating annual revenues in excess of $540 billion.[2]

RELEVANT CONSTITUTIONAL PROVISIONS AND STATUTES

> To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.

U.S. CONST., art. I, § 8, cl. 8 ("Progress Clause").

> Whoever during the term of a patent for a design, without license of the owner,
>
> > (1) applies the patented design, or any colorable imitation thereof, to any article of manufacture for the purpose of sale, or

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1. No counsel for any party authored this brief in whole or part; no such party or counsel made a monetary contribution intended to fund its preparation or submission; and no person other than *amicus* made such a contribution. All parties have consented to the filing of this brief.

2. A list of CCIA members is available at http://www.ccianet.org/members. Petitioner Samsung is a CCIA member, but took no part in the preparation of this brief.

> (2) sells or exposes for sale any article of manufacture to which such design or colorable imitation has been applied shall be liable to the owner to the extent of his total profit, but not less than $250, recoverable in any United States district court having jurisdiction of the parties.
>
> Nothing in this section shall prevent, lessen, or impeach any other remedy which an owner of an infringed patent has under the provisions of this title, but he shall not twice recover the profit made from the infringement.

35 U.S.C. § 289.

INTRODUCTION AND SUMMARY OF ARGUMENT

The Court should grant Samsung Electronics Co.'s ("Samsung's") petition so that it can consider the Federal Circuit's interpretation of the design patent damages statute.

The Federal Circuit's decision with respect to design patent damages raises constitutional concerns, is a misreading of the statute, and is dangerous to the technology industry. The decision below interprets Section 289 to expand the exclusive right granted by a design patent well beyond the powers granted to Congress by the Progress Clause. The Progress Clause grants Congress the power to give an inventor "the exclusive right" to her "discoveries."

By interpreting the term "article of manufacture" to apply only to articles sold to "ordinary purchasers," the Federal Circuit's decision gives the inventor of a "discovery" claimed in a fairly narrow design patent the right to the profits made on a complex device that is the result of literally thousands of separate, patented, innovations. This interpretation of the statute effectively grants exclusive rights over a device covered by tens of thousands of utility patents, even though the "discovery" covered by the patent-in-suit is an ornamental feature.

The constitutionality problem is avoidable by interpreting the statute more narrowly: the term "article of manufacture" as used in 35 U.S.C. § 289 must refer to the smallest article to which the patented design is applied, not a larger device that incorporates the article as one of its components. Were it not, a design patent covering a windshield for a boat could be liable for profits on the entire boat. *See Pacific Coast Marine Windshields Ltd. v. Malibu Boats, LLC*, No. 6:12-cv-00033, slip op. at 19–22 (M.D. Fla. Aug. 22, 2014).

The Federal Circuit misinterpreted "article of manufacture" to mean the "product of manufacture," *i.e.*, the product sold to consumers. But Congress does not use those terms synonymously. In the Vessel Hull Design Protection Act, which is based in part on design patent law, Congress used the terms distinctly. Congress never intended the "article of manufacture" to automatically swallow whatever end-good in which the article incorporating an infringing design is included.

If the decision below is allowed to stand, design patent infringement will become a new tool for patent assertion

entities to use to gain leverage. Indeed, within a few weeks of the Federal Circuit's decision, a patent assertion entity used the decision to threaten Samsung itself with design patent infringement.

This issue is of great concern to CCIA's member companies, many of whom sell or market complex electronic devices that incorporate many different designs. If the Federal Circuit's interpretation of Section 289 is affirmed, CCIA's member companies could be faced with potentially massive exposure to attack using design patents. Such a rule would disproportionately penalize complex integrators, discouraging enterprises from bringing complex products and services to market.

ARGUMENT

The decision below interprets the term "article of manufacture" in Section 289 to be limited to articles sold to "ordinary purchasers." *See* Pet. App. 29a. The Federal Circuit's interpretation of 35 U.S.C. § 289 raises serious constitutional concerns and has the potential to create large problems for the technology industry. Moreover, this interpretation is inconsistent with Congress's usage of the term "article of manufacture" in a related statute, the Vessel Hull Design Protection Act.

The sheer number of potential design patents that could apply to a single smartphone exposes manufacturers to grossly unjust liability. For example, Apple has 199 active design patents entitled "Electronic device." If Samsung were sued on each of those patents by separate entities, Samsung's potential damages would be many billions of dollars.

If the Federal Circuit's interpretation of Section 289 is allowed, the result would be damaging to the entire smartphone industry, as well as manufacturing of other electronic devices. Manufacturers would have to account for the risk of liability for design patent infringement, which could result in the loss of the entire profit for a product line several times over. This increased risk would increase costs and likely reduce the number of products available to the public.

Accordingly, CCIA respectfully requests that this Court grant Samsung's petition.

I. The Federal Circuit's Interpretation of Section 289 Expands the "Exclusive Right" Described in the Progress Clause to Far More Than the Inventor Invented

The interpretation of Section 289 used by the Federal Circuit raises constitutional concerns because it grants a design patent an effective monopoly over an entire smartphone based solely on certain ornamental features. Considering that nearly all of the value of a device like a smartphone comes from its functionality, this breadth of scope would transform a design patent into a sort of super-utility patent, allowing a design patentee to control an industry in a way that would be nearly impossible with utility patents.

This expansion in scope of a design patent grants an inventor exclusive right over *far* more than she invented. This is not simply a question of where exactly to draw boundaries over patent scope. For example, Apple's patents specifically *disclaim* the part of the device

containing all of the inner workings. That is, the drawings claim only the front face of the device, and the rest of the device is shown in dotted lines, which indicate *unclaimed* subject matter, as shown in Figures 3 and 7 from U.S. Patent No. D593,087:

FIG. 3

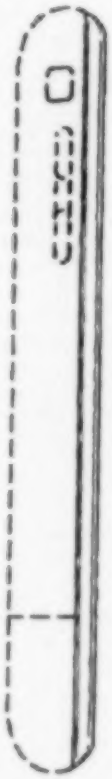

FIG. 7

Despite this express disclaiming of scope, the Federal Circuit granted damages based on the profits of entire Samsung smartphones. These are devices whose technology is covered by literally tens of thousands of patents and many thousands of innovations that are in the public domain. Yet a single design patent grants Apple, effectively, the exclusive right to those devices, even

though Apple admits in its application that the design patent does not include the innovations inside the device.

If infringing a single design patent can result in the loss of all profits made from a complex device, many (if not most) companies will avoid the risk of infringement altogether by staying out of the market. Accordingly, the result is the same as if the design patent owner held all of the patents for the entire device: new products and innovations are blocked from the market. While the design patent scope may not be coextensive with the scope of the utility patents covering the relevant device, the Federal Circuit's interpretation of Section 289 certainly increases design patent scope far beyond just the actual patented design.

> The Congress in the exercise of the patent power may not overreach the restraints imposed by the stated constitutional purpose. Nor may it enlarge the patent monopoly without regard to the innovation, advancement or social benefit gained thereby. Moreover, Congress may not authorize the issuance of patents whose effects are to remove existent knowledge from the public domain, or to restrict free access to materials already available.

Graham v. John Deere Co., 383 U.S. 1, 5–6 (1966). It is undeniable that the ornamental features described in Apple's design patents contribute a tiny fraction of the innovations contained in a smartphone.

While Congress has broad authority to legislate with respect to patents, it is not allowed to remove knowledge

from the public domain or grant a monopoly to an inventor far beyond what the inventor has contributed to the public. "[T]he [Patent] Clause contains both a grant of power and certain limitations upon the exercise of that power." *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 146 (1989).[3] The Federal Circuit's interpretation of Section 289, however, does exactly what Congress is not allowed to do.

II. The Constitutionality Concerns With Respect to Section 289 Can Be Avoided By Not Limiting "Article of Manufacture" to Goods Sold

The Federal Circuit created a constitutional problem, discussed above, *supra* 5, by incorrectly limiting the term "article of manufacture" to articles sold to "ordinary customers." *See* Pet. App. 29a. By interpreting "article of manufacture" to mean merely an article that is manufactured, the constitutional problem can be avoided by limiting design patent scope to the physical article (*e.g.*, the case of a smartphone) to which the patented design is applied. "[W]here a statute is susceptible of two constructions, by one of which grave and doubtful constitutional questions arise and by the other of which such questions are avoided, our duty is to adopt the latter." *Jones v. United States*, 529 U.S. 848, 857 (2000) (quoting *United States ex rel. Attorney General v. Delaware & Hudson Co.*, 213 U.S. 366, 408 (1909)).

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3. The Vessel Hull Design Protection Act was enacted in part to respond to the holding in *Bonito Boats* that states could not enact vessel hull protection. H.R. REP. No. 105-436, at 12–13 (1998).

The Vessel Hull Design Protection Act ("VHDPA"), a *sui generis* form of protection for boat hull designs, also provides strong evidence that an "article of manufacture" is not restricted to a product sold to consumers. The VHDPA was enacted to fill a particular gap in intellectual property protection for the industrial designs of boat hulls. Design patents can be difficult to obtain for boat hull designs, because ornamental features may be considered "dictated by functional considerations." H.R. REP. No. 105-436, at 11 (1998). Because a boat hull design is typically functional (*e.g.*, it may improve boat performance), it can be ineligible for protection with copyright. *Id.* The VHDPA offers protection of both ornamental and functional features of hull designs. *See* 17 U.S.C. §§ 1301 *et seq.* Hull designs are registered for protection with the Copyright Office and are not examined as design patents are. *See* 17 U.S.C. §§ 1310–20.

The VHDPA expressly distinguishes between a "product of manufacture" (*e.g.*, a boat) and an "infringing article" (*i.e.*, a vessel hull): "A person who incorporates into that person's *product of manufacture* an infringing *article* acquired from others in the ordinary course of business . . ." 17 U.S.C. § 1309(d) (emphases added). An "infringing article" is "any *article* the design of which has been copied from a design protected under this chapter, without the consent of the owner of the protected design." 17 U.S.C. § 1309(e) (emphasis added). That is, an "article" is the object that infringes (in this case, a boat hull), but a "product of manufacture" is the entire consumer product incorporating that infringing article.

The VHDPA coordinates its protection with design patents to ensure that no one receives both a VHDPA

registration and a design patent for the same boat hull: "The issuance of a design patent under title 35, United States Code, for an original design for an *article of manufacture* shall terminate any protection of the original design under this chapter." 17 U.S.C. § 1329 (emphasis added). The "article of manufacture" referred to in Section 1329 of the VHDPA is a boat hull, *not* an entire boat sold to ordinary consumers. *See* 17 U.S.C. § 1301(a)(2) ("The design of a vessel hull, deck, or combination of a hull and deck, including a plug or mold, is subject to protection under this chapter. . ."). Given that Congress deliberately intended to coordinate design patents with VHDPA protection for boat hulls, it must have intended the term "article of manufacture" to take the same meaning in both statutes.

The Federal Circuit's interpretation of Section 289 is also inconsistent with earlier interpretations of the design patent statute. A design for an "article of manufacture" does not have to be embodied in the entire article depicted. *In re Zahn*, 617 F.2d 261, 268 (C.C.P.A. 1980) ("While the design must be embodied in some articles, the statute is not limited to designs for complete articles, or 'discrete' articles, and certainly not to articles separately sold..."). The entire "article of manufacture" in which the design is embodied does, however, have to be depicted in the drawings of the design patent. *Id.* at 268–69 (explaining the difference between the article being illustrated and the parts of the article which embody the claimed design).

III. Patent Assertion Entities Will Use The Federal Circuit's Interpretation of Section 289 to Increase Their Leverage

This case is important to the thousands of businesses that are the targets of patent assertion entities ("PAEs"), also called patent monetization entities. PAEs are companies whose business is licensing and enforcing patents, typically using purchased patents. PAEs cost the U.S. economy billions of dollars per year, targeting businesses of all sizes and in a wide variety of industries.

The PAE business model relies on the difficulty of proving patents invalid. PAEs are profitable because accused infringers have a strong incentive to settle. It is extremely expensive to defend against a patent infringement claim, in large part because there are few ways to dismiss even a weak claim on the pleadings. Accordingly, nearly every such case will require discovery, which costs hundreds of thousands, or even millions of dollars. In 2012, the mean cost through the end of discovery for cases filed by PAEs worth less than $1 million was $516,000; for such cases with $1 to 10 million at risk, that figure was $998,000; and for cases with $10 to $25 million at risk, the mean cost through the end of discovery was over $1.7 million.[4]

Because smartphones (and similarly complex electronic devices) provide enormous functionality,

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4. AIPLA, *Report of the Economic Survey 2013*, at I-145 (July 2013), http://library.constantcontact.com/download/get/file/1109295819134-177/AIPLA+2013+Survey_Press_Summary+pages.pdf.

the value of a smartphone is much greater than any ornamental feature. Few would buy an empty case that looked like a smartphone but did nothing.

Yet, the Federal Circuit's interpretation of Section 289 allows a design patent owner to capture all of the value of the functions of a smartphone in addition to any value attributable to the infringed design. Such patent owners include PAEs.

Patent assertion entities have already begun using the Federal Circuit's decision below as leverage. A PAE called Intellectual Capital Consulting, based in Colorado, recently threatened Samsung with damages for design patent infringement:

> Moreover, as you may be aware, *Apple Inc. v. Samsung Electronics, Ltd.* (Fed. Cir. 2015) further solidified damages for design patent infringement. 35 U.S.C. § 289 explicitly authorizes the award of *total profits* from the article of manufacture bearing the patented design. That is, unlicensed sales . . . will dramatically increase damages liability.

Letter from Samuel K. Giles, Managing Director, Intellectual Capital Consulting, LLC, to Gregory Lee, Samsung Telecommunications America, LLC (June 2, 2015), https://trollingeffects.org/demand/intellectual-capital-consulting-ltd-2015-06-02. This letter was sent less than one month after the Federal Circuit's decision, which issued on May 18, 2015.

If PAEs are allowed to threaten operating companies with the loss of the total profits made on an accused product, few companies will be willing to take the risk of fighting back. And they will settle for substantially more than they otherwise might have.

CONCLUSION

For the foregoing reasons, *amicus* CCIA requests that this Court grant Samsung's petition.

Respectfully submitted,

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In the Supreme Court of the United States

SAMSUNG ELECTRONICS CO., LTD., ET AL., PETITIONERS

v.

APPLE INC.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF FOR DELL INC., EBAY INC., FACEBOOK INC., GOOGLE INC., HP INC., HEWLETT PACKARD ENTERPRISE CO., NEWEGG INC., PEGASYSTEMS INC., AND VIZIO, INC., AS AMICI CURIAE SUPPORTING PETITIONERS

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TABLE OF CONTENTS

Page

Interest of amici curiae 1

Summary of argument 2

Argument 5

I. The Federal Circuit's decision is erroneous and out of step with modern technology 5

A. Modern technological products are highly complex and consist of numerous components and software subsystems 5

B. Section 289 envisions awarding total profit only on designs of relatively simple products 9

II. A narrow interpretation of the phrase 'article of manufacture' best serves the purpose of Section 289 and the public interest 13

A. A narrow interpretation of 'article of manufacture' best serves the purpose of Section 289 13

B. A narrow interpretation of 'article of manufacture' best serves the public interest 15

Conclusion 20

TABLE OF AUTHORITIES

Page

Cases:

Bergstrom v. *Sears, Roebuck & Co.*, 496 F. Supp. 476 (D. Minn. 1980) 11

Bush & Lane Piano Co. v. *Becker Bros.*, 222 F 902 (2d Cir. 1915) 11, 12

Bush & Lane Piano Co. v. *Becker Bros.*, 234 F. 79 (2d Cir. 1916) 11

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Page

Cases—continued:

Dobson v. *Dornan*, 118 U.S. 10 (1886) 9
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eBay Inc. v. *Mercexchange, L.L.C.*, 547 U.S. 388 (2006) 19
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Henry Hanger & Display Fixture Corp. v. *Sel-O-Rak Corp.*, 270 F.2d 635 (5th Cir. 1959) 11
Intellectual Capital Consulting, Ltd. v. *Hyundai Motor Co.*, Civ. No. 15-917 (E.D. Tex.) 17
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Schnadig Corp. v. *Gaines Manufacturing Co.*, 620 F.2d 1166 (6th Cir. 1980) 11
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Page

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Page

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INTEREST OF AMICI CURIAE

Amici curiae are Dell Inc., eBay Inc., Facebook Inc., Google Inc., HP Inc., Hewlett Packard Enterprise Co., Newegg Inc., and VIZIO, Inc.* Amici are companies that

* Pursuant to Rule 37.6, amici affirm that no counsel for a party authored this brief in whole or in part and that no person other than amici or their counsel have made any monetary contributions intended to fund the preparation or submission of this brief. Pursuant to Rule 37.2, counsel of record for all parties received notice of ami-

develop, manufacture, and sell modern technological products, including computers, smartphones, operating systems, and online platforms, as well as the components, software, and services that support them.

This case presents a question of enormous practical importance to amici: namely, whether 35 U.S.C. 289 imposes damages in the amount of the total profit from any product that infringes a design patent, regardless of how complex the product is or which of its many components may infringe the design. In the decision below, the Federal Circuit held that the statute requires an award of total profit. That holding will have significant ramifications both for amici, which develop, manufacture, design, and sell complex, multicomponent technological products, and for the technology industry more generally. Accordingly, amici have a substantial interest in the question presented here.

SUMMARY OF ARGUMENT

In this closely watched case, the Federal Circuit upheld a jury's award of the entirety of Samsung's profits on smartphones that were found to have infringed three Apple design patents relating to a portion of the iPhone's outer shell and a single graphical-user-interface screen. Although the design patents covered only limited portions of those complex electronic devices, the court rejected Samsung's argument that damages must be limited to the profits made from those infringing features.

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ci's intent to file this brief at least ten days before the due date. The parties have consented to the filing of this brief, and copies of their letters of consent are on file with the Clerk's Office. Counsel for amici has represented petitioners in other litigation, including litigation against respondent.

See Pet. App. 27a-29a. The court instead concluded that the relevant statute, 35 U.S.C. 289, "explicitly authorizes the award of total profit from the article of manufacture bearing the patented design," and that the entire smartphone was a single "article of manufacture." Pet. App. 28a-29a. The court based its conclusions on the fact that the "innards of Samsung's smartphones were not sold separately from their shells as distinct articles of manufacture to ordinary purchasers." *Id.* at 29a.

The Federal Circuit's decision is deeply flawed. If allowed to stand, it will lead to absurd results and have a devastating impact on companies, including amici, that spend billions of dollars annually on research and development for complex technological products and their components. As the petition for certiorari explains, the Federal Circuit's decision cannot be reconciled with the text, history, or purpose of Section 289 or with prior decisions from other courts of appeals. But it is also problematic because it ignores the reality of modern, multicomponent technological products. Those complex products, which have become the norm throughout the consumer electronics industry, are not purchased primarily based on the design of one or more isolated components.

To the contrary, consumers frequently consider the purchase of a multicomponent technological product as, in effect, the purchase of several individual components. For example, customers may purchase an iPhone in part because they wish to use the iCloud file-sharing application, or because they prefer the quality of its camera, or because they know that they can synchronize it with other Apple products—not simply because of the design of the iPhone's rectangular front face with rounded corners. That is why technology companies apply their research and development budgets to numerous aspects of

a multicomponent product, including its hardware, software, and services, and not just to its design.

In enacting Section 289 in the nineteenth century, Congress did not envision application of its rule to complex, twenty-first-century products that are assembled from a multitude of individual components, many of which may originate from different manufacturers. Congress passed Section 289 in response to a decision of this Court that awarded nominal damages for infringement of a design patent for carpets, a unitary article in which the design and the article are inseparable. Troubled by that decision, Congress sought to preserve the right to obtain damages for infringement of design patents for carpets and other similar, single-component articles such as oilcloths and wallpaper. Courts likewise focused on simple products such as ornamental spoons and fireplace grates—products that are nothing like the multicomponent technological products of today that distinguish themselves in the marketplace based on a cornucopia of different features. To the extent that courts considered multicomponent "articles of manufacture" in design-patent cases, they recognized the absurd results that would follow from applying a rigid "total profit" rule and declined to extend it to that context.

Consistent with the text, history, and purpose of Section 289, the better interpretation of "article of manufacture" is one that recognizes that complex, multicomponent technological products typically embody far more than one "article of manufacture" for purposes of the "total profit" rule. To the extent that total profit may ever be awarded from the proceeds of such products, patentees must demonstrate that the design of the infringing article drives nearly all of a consumer's demand for the product; otherwise, damages should be limited to the

profit attributable to the component "to which [the] design * * * has been applied." 35 U.S.C. 289.

Such an interpretation would also better serve the public interest. As predicted by numerous commentators, the Federal Circuit's decision has already prompted so-called "patent trolls" to threaten design-patent litigation against Samsung and its amici. Meanwhile, companies are applying for and obtaining record numbers of design patents, which are certain to be asserted at similarly growing rates. The ensuing litigation, and threats of litigation, will further undermine innovation and the research and development efforts of amici—a particularly troubling development in light of the spurious quality of many design patents. Amici therefore respectfully urge the Court to grant review and reverse the decision below.

ARGUMENT

I. THE FEDERAL CIRCUIT'S DECISION IS ERRONEOUS AND OUT OF STEP WITH MODERN TECHNOLOGY

A. Modern Technological Products Are Highly Complex And Consist Of Numerous Components And Software Subsystems

Complex, multicomponent products have become the norm in the modern consumer electronics industry. To take one example, a so-called "smart television" contains over 2,500 high-technology components. See Abraham Pai, *Smart TV: Piece by Piece*, Samsung Tomorrow (Sept. 23, 2011) <goo.gl/5vvYWY>. Those components include an outer casing, speakers, a liquid crystal display, a circuit board containing 1,200 semiconductors (including chips supporting wireless communication), a wall mount, a remotely controlled keyboard, a tuner, ports for connecting to other devices, graphics hardware, an oper-

ating system, and hundreds of software applications that may run on that system—including games, communication applications, and news applications. *Ibid.*

The components of a smart television may be covered by individual design patents for features such as the curvature of the wall mount, the look and feel of the keyboard, the design of the speakers, or even the shape of a single icon within an application. Despite containing numerous components, however, a smart television is sold to an ordinary consumer as a single, complete product. Under the Federal Circuit's reasoning, the manufacturer or seller of a smart television containing any single component that infringed any one design patent could be required to pay in damages its total profit on the entire television, no matter how insignificant the design of the infringing component was to that profit or to consumer demand.

Another example is a laptop computer. See *The Different Parts of a Laptop Computer*, ZKarlo Laptop Parts Blog (June 15, 2011) <goo.gl/0R6055>. Much like a smart television, the components of a laptop include an outer casing, speakers, a liquid crystal display, a circuit board containing hundreds of semiconductors (including chips supporting wireless communication), a keyboard, a trackpad, ports for connecting to other devices, graphics hardware, an operating system, and hundreds of applications that may run on that system. *Ibid.*

As with the smart television, the components of a laptop computer may also be covered by numerous design patents for features such as the sleekness of the laptop's outer casing, the look and feel of its keyboard or trackpad, the design of its speakers, or the display of drop-down menus in one of the laptop's many software applications. Again, despite containing numerous components, a laptop is sold to an ordinary consumer as a sin-

gle, complete product. And again, under the Federal Circuit's rule, the manufacturer or seller of a laptop containing a component that infringed any single design patent would be required to pay in damages its total profit on the entire laptop. That is so even if the design patent at issue concerned a minor component that did not drive consumer demand for the whole laptop, such as the shape of the laptop's trackpad.

Software products and online platforms face similar dangers. A design patent may cover the appearance of a single feature of a graphical user interface, such as the shape of an icon. That feature—a result of a few lines out of millions of computer code—may appear only during a particular use of the product, on one screen display among hundreds, and in circumstances that many customers never even see. But the Federal Circuit's decision could allow the owner of the design patent to receive all profits generated by the product or platform, even if the infringing element was insignificant to the user and it was instead the thousands of other features, implemented across the remainder of the software, that drove the demand generating those profits.

Software covered by a design patent may be part and parcel of a much larger product, making the award of total profit even more outlandish. For example, a navigation system is now a standard feature in many vehicles. That system, which appears on a display on the car's dashboard, constitutes only a small fraction of the vehicle's components. Assuming, however, that even a single screenshot of the navigation system's display was covered by a design patent, the Federal Circuit's rule would allow the patentee to extract the entire profit on the infringing car. That absurd result flows directly from the Federal Circuit's rule because a standard-feature navigation system is built into the car and is not

sold separately to "ordinary purchasers"—even if consumers may not have bought the car because they wanted a navigation system and certainly were not motivated to buy by the infringing design element. Pet. App. 29a.

As the above examples demonstrate, the Federal Circuit's decision is disconnected from the reality of modern technological products, and it attaches outsized significance to the design of individual components. Where complex technological products are involved, design is only one factor that contributes to consumer demand. For example, in a study of the factors that influence consumers' laptop purchasing decisions, design was ranked 21st out of 26 factors—behind functional qualities such as processor speed, memory capacity, and even the number of ports. See V. Aslihan Nasir et al., *Factors Influencing Consumers' Laptop Purchases*, Sixth Global Conference on Business and Economics 5 (Oct. 15-17, 2006) <goo.gl/nhi9OU>. So too in the smartphone context, consumers value numerous other qualities such as battery life, durability, and security. See Christopher Versace, *What Do Consumers Want in a New Smartphone?*, Forbes (Aug. 21, 2013) <goo.gl/CMG-4j6>. And it is beyond doubt that functionality is a major factor in consumers' choice of which software products and online platforms to use.

To state the obvious, the investment in research and development for information and communication technologies—currently estimated at $250 billion annually—extends well beyond design to include the hardware, software, and services that are incorporated into the technological products. See R&D Magazine, *2014 Global R&D Funding Forecast* 24 (Dec. 2013) <goo.gl/7LI-xBV>. The reason is simple: technology companies know that consumers want a product that works well, not simply one that looks good.

Consumer preferences exert influence over every component that is incorporated into modern technological prodcuts, even though those components may not be "sold separately" to the ordinary consumer. Pet. App. 29a. An ordinary consumer's demand for various components, in turn, drives the decisions of manufacturers to purchase those components. See Braden Cox & Steve DelBianco, *Consumer Demand Drives Innovation and Integration in Desktop Computing*, Ass'n for Competitive Technology (June 2007) <http://goo.gl/4ocA7n>. "[C]onsumers are demonstrating a desire to shape demand through their own insistence on mixing and matching products and product features," Jonathan Sallet, *The Creation of Value: The Value Circle and Evolving Market Structures*, 11 J. on Telecomm. & High Tech. L. 185, 190 (2013), and manufacturers are heeding that call.

The Federal Circuit's decision ignores all of the foregoing considerations and reduces the damages analysis to one question: was the feature that is covered by a design patent "sold separately [from the remainder of the product] as [a] distinct article[] of manufacture to ordinary purchasers"? Pet. App. 29a. If not, then the owner of a design patent is entitled to the full profits from the entire product, without any further inquiry into the importance of the infringing feature. That absurd result cannot be squared with the reality of modern, multicomponent technological products.

B. Section 289 Envisions Awarding Total Profit Only On Designs Of Relatively Simple Products

Congress adopted the "total profit" language in Section 289 in response to this Court's rulings in two nineteenth-century cases that awarded nominal damages of six cents for the infringement of design patents covering carpets. See *Dobson* v. *Dornan*, 118 U.S. 10 (1886); *Dob-*

son v. *Hartford Carpet Co.*, 114 U.S. 439 (1885). Concerned that the patent laws provided "no remedy" for design-patent infringement in the wake of those decisions, S. Rep. No. 206, 49th Cong., 2d Sess. 1 (1886), Congress passed a bill awarding the "infringer's entire profit on the article," H.R. Rep. No. 1966, 49th Cong., 2d Sess. 3 (1886); see Act of Feb. 4, 1887, ch. 105, § 1, 24 Stat. 387. That bill was premised on the assumption that "it is the design that sells the article," and that the design, as the primary feature of the article, is the only thing that "makes it possible to realize any profit at all." H.R. Rep. No. 1966, *supra*, at 3.

The 1886 Congress did not have complex, multicomponent products in mind—much less products incorporating modern technologies. Indeed, the available evidence suggests that Congress was not considering products with significant functional features at all. As explained in the House Report on the bill that became Section 289, "[s]o far as the *consumers* are concerned, the effect of design patent laws that are respected is to give them more beautiful carpets and wall-papers and oil-cloths." H.R. Rep. No. 1966, *supra*, at 3. The sponsor of the bill similarly noted that the statute would protect designs for "carpeting, oil-cloths, wall-paper, and things of that sort," and that the bill was introduced in response to "a great body of persons who are engaged in the manufacture of goods in which designs are the principal feature." 18 Cong. Rec. 834, 835 (1887) (statement of Rep. Martin). Of course, carpets, oilcloths, and wallpaper are relatively simple, single-component articles for which the design embodies virtually the whole article and is the primary factor driving sales.

The case law confirms that design patents largely involved relatively simple products that were defined by and purchased for their designs. The seminal decision in

which this Court articulated the standard for design-patent infringement involved, of all things, an ornamental spoon. See *Gorham Co.* v. *White*, 81 U.S. 511, 520-522 (1871). In other decisions, including those cited by the Federal Circuit, courts applied the "total profit" rule of Section 289 to simple products such as garment racks, fireplace grates, sofas, and lamps—products much like the carpets and oilcloths that motivated Congress when it originally enacted the rule. See *Catalina Lighting, Inc.* v. *Lamps Plus, Inc.*, 295 F.3d 1277, 1281 (Fed. Cir. 2002); *Schnadig Corp.* v. *Gaines Manufacturing Co.*, 620 F.2d 1166, 1167 (6th Cir. 1980); *Henry Hanger & Display Fixture Corp.* v. *Sel-O-Rak Corp.*, 270 F.2d 635, 638 (5th Cir. 1959); *Bergstrom* v. *Sears, Roebuck & Co.*, 496 F. Supp. 476, 480 (D. Minn. 1980).

By contrast, where courts have been faced with more complex, multicomponent products, they have exercised common sense and recognized that an award of total profit should not extend to components of the article that do not embody the design. For example, in *Bush & Lane Piano Co.* v. *Becker Bros.*, 222 F. 902 (1915) and 234 F. 79 (1916), the Second Circuit declined to award the total profit from a piano that included an infringing piano case. As the court put it, the patentee "did not invent a piano, but a piano case," 222 F. at 905, and the piano's instrument and case were distinct articles of manufacture. The court reasoned that the "article" from which total profit was awarded should depend on the "technical, mechanical, popular, and commercial" circumstances in a particular case. 234 F. at 81. Applying that approach, the court distinguished between profit from consumers' demand for "the piano mechanism, which pleased the ear," and for "the ornamented and infringing casing, which attracted the customer's eye." *Id.* at 82. The court recognized that this distinction ultimately

mattered in awarding "total profit" based on the only relevant article—the piano case.

In the decision below, the Federal Circuit attempted to distinguish *Bush & Lane Piano* on the ground that "the commercial practice in 1915" was such that "ordinary purchasers regarded a piano and a piano case as distinct articles of manufacture." Pet. App. 29a. But ordinary purchasers also view modern technological products as containing multiple "articles of manufacture" that are integrated into products based on their preferences. *See* p. 9, *supra*. Just as Samsung or Apple purchases the components and features of its smartphones from third parties based on consumers' preferences, and mixes and matches those components and features into its smartphone models based on those preferences, the defendant manufacturer in *Bush & Lane Piano* purchased the infringing piano cases from others before assembling them and selling them with pianos as whole units, again based on consumer preferences. See 222 F. at 904.

The court applied similar principles in another design-patent case that the Federal Circuit did not address in the decision below. In *Young* v. *Grand Rapids Refrigerator Co.*, 268 F. 966 (1920), the Sixth Circuit refused to award total profit on a refrigerator that incorporated an infringing door latch. Because it is readily apparent that the design of a latch does not permeate a refrigerator, "it [wa]s not seriously contended that all the profits from the refrigerator belonged to [the patentee]," and damages (the statutory minimum of $250) were awarded based on the profit derived from the latch alone. *Id.* at 967, 974.

II. A NARROW INTERPRETATION OF THE PHRASE 'ARTICLE OF MANUFACTURE' BEST SERVES THE PURPOSE OF SECTION 289 AND THE PUBLIC INTEREST

Applying the "total profit" rule to complex multicomponent products incorporating modern technologies would produce absurd consequences that Congress would not have intended. See pp. 5-8, *supra*. Awarding a design patentee the total profit from an infringer's product when the design covers only a relatively minor portion of the product is out of proportion with the significance of the design and out of touch with economic realities. See pp. 8-9, *supra*. Such disproportionate damages awards hinder innovation and "disrupt[] the ability of the market to allocate [research and development] resources to those areas most likely to generate the products most valued by consumers." Federal Trade Commission, *The Evolving IP Marketplace* 146 (2011). They also create an incentive for the prosecution of opportunistic lawsuits, as has already begun to occur.

A. A Narrow Interpretation Of 'Article Of Manufacture' Best Serves The Purpose Of Section 289

The correct way to interpret Section 289 is to read the phrase "article of manufacture," consistent with the legislative history, case law, and statutory text, to mean the component "to which [the] design * * * has been applied." 35 U.S.C. 289. Section 289 awards the "extent of [the infringer's] total profit" for "any article of manufacture to which such design * * * has been applied": that is, "the profit made from the infringement." Thus, where the application of the design permeates the entire product and drives nearly all of its demand—as with carpets, oilcloths, or ornamental spoons—the "article of manufacture" would be the whole product, and profit

from the whole product may be awarded. But where a design "has been applied" to only one portion of a multi-component product and does not drive demand for the entire product, the "article of manufacture" is rightly considered to be only the component to which the design applies, and only profit attributable to that component may be awarded.

Such an approach would have the added benefit of being congruent with the "entire market value" rule that the Federal Circuit has applied in determining whether the royalty base for reasonable royalty damages should extend to an entire multicomponent technology. Under that rule, a patentee may "assess damages based on the entire market value of the accused product only where the patented feature creates the basis for consumer demand or substantially create[s] the value of the component parts." *Uniloc USA, Inc.* v. *Microsoft Corp.*, 632 F.3d 1292, 1318 (Fed. Cir. 2011) (alteration in original) (internal quotation marks omitted). Otherwise, royalties are not based on the entire technology, but instead on the "smallest salable patent-practicing unit," which could be any number of components that constitute the technology. *LaserDynamics, Inc.* v. *Quanta Computer, Inc.*, 694 F.3d 51, 67 (Fed. Cir. 2012) (internal quotation marks omitted). Just as a "reasonable royalty" can be keyed to the component of a complex technology, so too can an award of "total profit" be tied to such a component.

Similar principles apply to the Federal Circuit's approach in awarding "lost profits" damages in the context of utility patents. A patentee can receive its lost profits to the extent it can show that the defendant's infringement of its patented feature caused the losses. Causation requires, among other things, a showing of "demand for the patented product" and "manufacturing and mar-

keting capability to exploit" that demand. *Rite-Hite Corp.* v. *Kelley Co.*, 56 F.3d 1538, 1545 (Fed. Cir. 1995) (en banc). Without such proof, the patentee cannot "prove entitlement to lost profits damages" and is limited to other forms of damages, such as a reasonable royalty. *Id.* at 1544-1545. If that principle were applied in the context of design patents, Apple could receive lost profits here only to the extent that it could show that it has sold fewer iPhones *because* Samsung sold smartphones that had a similar curvature or used a similar icon. Again, to the extent damages based on profits are available at all, they must be tied to the relevant components that influence consumer demand.

There is no dispute here that the designs at issue solely involved a portion of the smartphone's outer shell and a single graphical-user-interface screen, and it is not clear from the record in this case that those infringing designs are the reason consumers purchased the infringing Samsung devices at issue. A proper interpretation of Section 289 should focus on those components, not on the products as a whole, and the Federal Circuit erred in holding otherwise.

B. A Narrow Interpretation Of 'Article Of Manufacture' Best Serves The Public Interest

A narrow interpretation of "article of manufacture" is also necessary to reduce the risk of frivolous litigation in the design-patent context. If allowed to stand, the Federal Circuit's decision will create incentives for more such litigation, because any technology that somehow encompasses an infringing design—no matter how complex—could trigger the "total profit" rule and allow the patentee to obtain disgorgement of all profits from the purported infringer. That possibility will prompt litigation both from technology manufacturers and from so-

called "patent trolls," with significant detrimental consequences for the continued development of useful modern technological products.

As an initial matter, even aside from the effects of the Federal Circuit's ruling, design-patent litigation is bound to increase in frequency in light of the growing numbers of design patents granted in recent years. As reflected in the Patent and Trademark Office's annual report on design patents, those patents are being granted at a record clip. Of the approximately 400,000 design patents that have been granted in American history, around *two-thirds* have been granted since 2000. See Patent and Trademark Office, *Design Patents Report (Covering Patents Granted Between 1990 and 2014)* <goo.gl/9PY-KYr>.

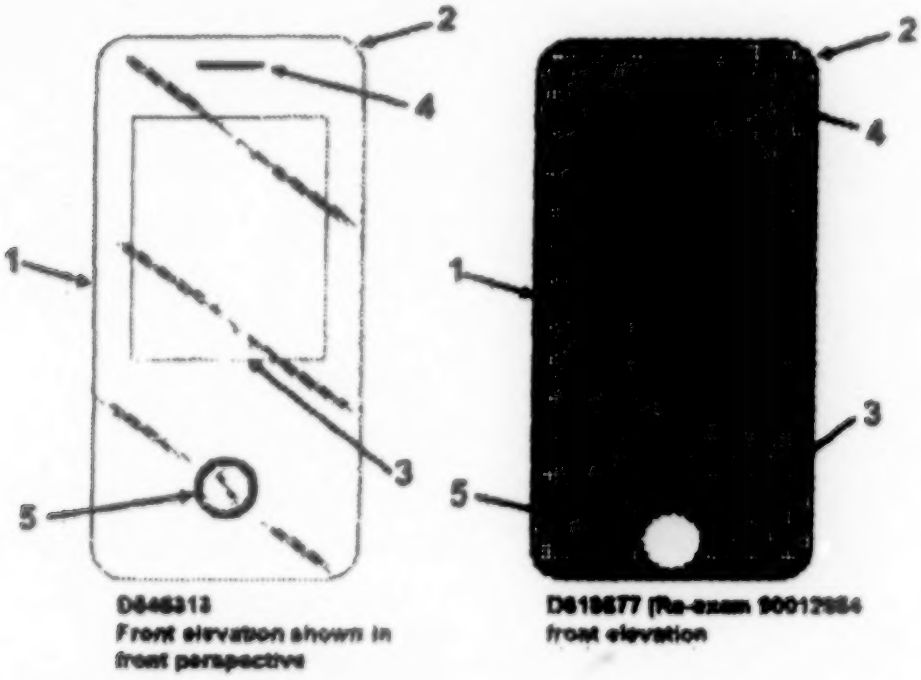
Given those numbers, it seems virtually certain that the rate of design-patent litigation will also increase. While fewer design patents are litigated than utility patents, "the filing of these cases has not seen the general downturn that cases with utility patents have." See Brian C. Howard, Lex Machina, *2014 Patent Litigation Year in Review* 12 (2015) <goo.gl/CqzkCP>. In the wake of the Federal Circuit's decision, commentators have suggested that there will be an "explosion" of design-patent litigation, particularly in view of "the relative ease, speed, and lower costs with which a design patent may be secured in comparison to a utility patent." David M. Marcus & Shawn K. Leppo, *Welcome Fallout from the Smartphone Wars: Federal Circuit Embraces Strong Protection of Design Patents*, Metropolitan Corporate Counsel 34 (July 17, 2015) <goo.gl/V4MS1g>. That is particularly true because "an award of infringers' profits by its nature does not require the patentee to be a producing entity, and the lure of profits may drive trial lawyers to work on contingency fees in hopes of a large set-

tlement." Sal Nuzzo, *Florida Entrepreneurs Should Be Spared Design-Patent Follies: State Viewpoint*, Orlando Sentinel, Oct. 20, 2015, at A13.

Indeed, after the Federal Circuit's decision in this case, at least one such "patent troll" sent a demand letter to Samsung, urging Samsung to take a license to its "extensive pending design patent portfolio" relating to designs for "smartwatch vehicular systems, related software and components thereof." Letter from Samuel K. Giles, Managing Director of Intellectual Capital Consulting, Ltd., to Gregory Lee, Samsung Telecommunications America, LLC (June 2, 2015) <goo.gl/CBkhHj>. The letter threatened that the Federal Circuit's decision "further solidified damages * * * for design patent infringement" and "will dramatically increase damages liability" for any infringement of the designs of such systems. *Ibid.* The threat apparently was not an idle one, because, on the same day the entity sent the letter, it filed two lawsuits against Samsung, LG, Sony, Lenovo, Motorola Mobility, and numerous automobile manufacturers on related utility patents. See Complaint, *Intellectual Capital Consulting, Ltd.* v. *Hyundai Motor Co.*, Civ. No. 15-917 (E.D. Tex. June 2, 2015). If such "patent trolls" are already gearing up to assert *pending* design patents in the wake of the Federal Circuit's decision, one can only imagine how much that activity will increase once more such patents are granted. And there can be no real doubt that grants will be forthcoming: it is well known that "design patents are * * * much faster and cheaper to obtain than utility patents," and the typical grant takes only 14 months. Peter Lee & Madhavi Sunder, *Design Patents: Law Without Design*, 17 Stan. Tech. L. Rev. 277, 283 (2013).

In addition to increasing the rate of design-patent litigation, the Federal Circuit's decision is also likely to re-

sult in a concomitant increase in the issuance of low-quality design patents that do not represent significant innovations in design. Indeed, Apple's patent for the design of the smartphone's outer shell—one of the very patents at issue here—was recently reexamined by the Patent and Trademark Office, which preliminarily determined that the design was anticipated and/or obvious, as illustrated by the prior-art design depicted to the left of the patented design below:



See Office Action in *Ex Parte Reexamination* (Reexam Control No. 90/012,884, U.S.P.T.O. Aug. 5, 2015), at 5. Whatever the degree of invention in Apple's design, this example amply illustrates that even design patents belonging to major technology companies may involve only minimal, if any, advances over the prior art. Design patents in the modern era are seldom directed to fashionable carpet designs or iconic Coca-Cola bottles; they are often sought, and issued, for relatively mundane design

features. If allowed to stand, the Federal Circuit's decision would encourage the procurement and assertion of more low-quality, marginally innovative design patents, in the hopes that those patents will be infringed by the latest smartphone, laptop, or other device.

What is more, the availability of disproportionate profits from accused infringers of design patents would reduce innovation. This Court has recognized that the activities of "patent trolls" "impose a harmful tax on innovation." *Commil USA, LLC* v. *Cisco Systems, Inc.*, 135 S. Ct. 1920, 1930 (2015) (internal quotation marks and citation omitted). If allowed to stand, the Federal Circuit's decision would provide design patentees with a cudgel that they can use as "a bargaining tool to charge exorbitant fees to companies that seek to buy licenses to practice the patent." *eBay Inc.* v. *Mercexchange, L.L.C.*, 547 U.S. 388, 396 (2006) (Kennedy, J., concurring). Those exorbitant fees, and the inevitable concomitant litigation costs, necessarily come out of the research and development budgets of technology companies, further hampering innovation. A recent study concluded that such fees and costs may reduce research and development spending in such companies by as much as 48%. See James Bessen, *The Evidence Is In: Patent Trolls Do Hurt Innovation*, Harvard Business Review (Nov. 2014) <goo.gl/XJnWVT>. Such a prospect is particularly troubling where, as here, "the patented invention is but a small component of the product the companies seek to produce." *eBay*, 547 U.S. at 396 (Kennedy, J., concurring).

All of the foregoing problems can be avoided by interpreting the phrase "article of manufacture" to mean the component of a complex product that is covered by the relevant design patent, rather than the entire product. Such an interpretation would rightly limit a patent-

ee's award under Section 289 to the amount of profit generated by the infringing component. And it would best accord with the statute's history and purpose, while serving the public interest in our twenty-first-century economy.

In all events, the question presented concerning the scope of design-patent damages is an incredibly important one not only to amici, but to the technology industry as a whole. The Federal Circuit erroneously answered that question, and this Court should grant review and reject the Federal Circuit's expansive approach.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted.

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Supreme Court of the United States

JAN 15 2016

SAMSUNG ELECTRONICS CO, LTD, ET AL.,
Petitioners,

v.

APPLE INC.,
Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF OF *AMICI CURIAE* THE HISPANIC LEADERSHIP FUND, THE NATIONAL BLACK CHAMBER OF COMMERCE, AND THE NATIONAL GRANGE OF THE ORDER OF THE PATRONS OF HUSBANDRY IN SUPPORT OF PETITIONER

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TABLE OF CONTENTS

	Page
TABLE OF AUTHORITIES	ii
INTEREST OF *AMICI CURIAE*	1
SUMMARY OF THE ARGUMENT	2
ARGUMENT	5
THE MEASURE OF DAMAGES APPLIED BELOW THREATENS TO IMPEDE THE SOCIAL AND ECONOMIC PROGRESS OF MINORITY, RURAL, AND LOW-INCOME AMERICANS	5
A. The risk of excessive design patent damages imposes a special burden on entrepreneurs from minority and rural communities.	5
B. The risk of total-profit disgorgement damages also threatens the affordability of Internet access for minority, rural, and low-income Americans	10
1. Drastically excessive design-patent damage awards threaten to raise the cost of smartphones	10
2. Smartphones play a vital role in providing marginalized communities with Internet access	12
3. Increasing smartphone prices will make Internet access prohibitively expensive for millions in these marginalized communities	17
CONCLUSION	19

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INTEREST OF *AMICI CURIAE*[1]

Amici are nonprofit, nonpartisan groups that represent communities that are marginalized in American society by numerous factors, including racial discrimination, poverty, cultural and language barriers, and geographic isolation.

The Hispanic Leadership Fund is dedicated to strengthening working families by promoting common-sense public policy solutions that foster liberty, opportunity, and prosperity, with a particular interest in issues affecting the Hispanic community.

The National Black Chamber of Commerce seeks the economic empowerment of African-American communities through entrepreneurship. It advocates for all 2.4 million African-American-owned businesses in the United States and the communities they serve.

The National Grange of the Order of the Patrons of Husbandry is a dedicated fraternal organization that has championed America's farmers, ranchers, and other rural residents for nearly 150 years.

Amici are deeply concerned that the outcome of this case could adversely impact the social and economic welfare of the communities they represent for years to come. Entrepreneurs from these communities depend upon the ability to fairly compete in open, competitive markets in order to overcome historic difficulties that have hampered their chances of succeeding in the

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[1] Counsel for all parties received notice of *amici curiae's* intent to file this brief 10 days before its due date. All parties have consented to the filing of this brief. No counsel for a party authored this brief in whole or in part, and no entity, other than *amici*, their members, or their counsel, has made a monetary contribution to the preparation or submission of this brief.

American marketplace. And millions of minority and rural Americans rely upon affordable smartphones as their only practical means to access the Internet.

The exorbitant design-patent damages permitted under the Federal Circuit's interpretation of Section 289 of the Patent Act threatens these communities on both of these fronts. It will make it harder for minority and rural entrepreneurs to create and develop businesses, thereby hindering their ability to empower themselves and their communities. It also risks making it unaffordable for millions of low-income, rural, and minority Americans to obtain Internet access, an indispensable tool for social and economic mobility in the United States.

SUMMARY OF THE ARGUMENT

The Federal Circuit's interpretation of Section 289 of the Patent Act permits design-patent holders to recover all of the profits earned on infringing products, even for designs that cover only a small part of a product, or contribute little to the product's overall value. Pet. App. 27a-29a. This will result in awards that drastically overcompensate design-patent holders for the inventive contribution embodied in a design patent, and for this reason alone, this Court's review is warranted. But the availability of absurdly excessive damages permitted under the Federal Circuit's decision will also foster competition-inhibiting incentives that will have a wide-ranging impact. And, as in so many other areas of American life, these adverse effects will fall hardest on those who have the least, including the low-income, minority, and rural Americans *amici* represent, whose social and economic progress is already hampered by a host of other disadvantages.

The Federal Circuit's decision will make it harder for entrepreneurs from these communities to start and develop businesses, even if they make every effort to avoid infringing others' patents. If the Federal Circuit's interpretation of Section 289 stands, design patents could be wielded as potent weapons that would enable design-patent holders to extract excessive royalties and inhibit rivals' ability to fairly compete against them. These threats (and the disabling fear of unwitting infringement they would produce) are likely to harm many small businesses, as Samsung warned in its petition, at 38, making it harder for them to compete in a wide swath of industries, from high-tech consumer electronics to heavy farming equipment. But they could prove to be a special burden for entrepreneurs from minority and rural communities—and not just because the businesses owned by these entrepreneurs tend to be small.

Threats of dramatically excessive design patent damages would also compound historic difficulties that entrepreneurs from these communities have long experienced in the American marketplace, which leave them especially dependent upon open, competitive markets to succeed, and make them particularly vulnerable to anti-competitive threats from design-patent holders. The stakes are also much higher for minority-owned and rural businesses, because jobs, opportunities, and progress for their marginalized communities all depend upon their success.

Total-profit disgorgement awards could also harm individuals from the communities *amici* represent by depriving them of the life-altering benefits of Internet access due to forces beyond their control. The competition-destroying incentives these awards will foster will likely cause smartphone prices to rise,

because the smartphone industry is packed with design patents. This, of course, would harm all consumers who wish to purchase smartphones. But the consequences could prove debilitating for millions in minority and rural communities, who depend on affordable smartphones as their only practical means of obtaining Internet access, a vital tool for success in the twenty-first century.

For millions in these communities, barriers of cost, culture, language—and for some, a dearth of basic Internet infrastructure—have all conspired to make Internet access unattainable. This Internet exclusion heaps burdens on the unconnected in these communities, atop other obstacles placed on them by race, culture, and geography—one more force impeding their progress.

Affordable smartphones have proven irreplaceable in enabling individuals in these communities to begin to overcome this barrier, providing a means for Internet access to many who would otherwise not be able to afford it. This increased connectivity has measurably improved the lives of those that have been able to connect. But for many from these communities, financial pressures make their connection to the Internet extremely tenuous. And for others, these same constraints keep Internet access out of reach entirely. For these people, the decreased competition and increased smartphone prices likely to result from the Federal Circuit's decision are not just an inconvenience. They could mean lost connections and missed vital opportunities.

These pressing threats to minority and rural Americans present recurring, nationwide problems

that deserve the Court's attention, and provide additional reasons why Samsung's petition should be granted.

ARGUMENT

THE MEASURE OF DAMAGES APPLIED BELOW THREATENS TO IMPEDE THE SOCIAL AND ECONOMIC PROGRESS OF MINORITY, RURAL, AND LOW-INCOME AMERICANS.

The court of appeals' erroneous interpretation of 35 U.S.C. 289 will encourage more numerous—and absurdly excessive—design patent damage awards that will erase profits and threaten entire businesses. The threat posed by these total-profit disgorgement damages also will hand design-patent-holding companies a weapon so powerful that it threatens to distort markets in a variety of industries and exact tangible harms on the vulnerable communities *amici* represent.

A. The risk of excessive design patent damages imposes a special burden on entrepreneurs from minority and rural communities.

Samsung is correct that the "real losers" from the Federal Circuit's interpretation of Section 289 are likely to be "smaller enterprises, entrepreneurs and manufacturers" who must now face a world in which some minor design feature of their products could produce a judgment that forces them out of business. Pet. 38 (internal quotations omitted). This existential threat is even worse for entrepreneurs and small-business owners from minority and rural communities, because it compounds historic difficulties that

they have experienced in creating and developing businesses in this country.

If the Federal Circuit's interpretation of Section 289 is allowed to stand, design-patent holders will be able to extract extravagant sums for product designs that unwittingly stray too close to their own patented designs, even if no consumer could recognize the similarity.[2] Allowing total-profit disgorgement for infringement on minor design features will also allow more-established businesses (those with the means to patent their designs and enforce their rights) to scare potential competitors with unfair but credible disgorgement threats. The risks posed by such awards will discourage competitors from entering, or remaining in, markets where design patents are prevalent. And they will stifle the competitiveness of those who choose to stay.

Indeed, the anti-competitive effects accompanying design patent damages could be especially debilitating, because the possibility of an excessive disgorgement award is not a litigation risk that a company can internalize. Normally, companies guard against litigation risks by raising prices in the short term to create a buffer of cash to finance potential judgments over the long term. But when faced with a risk of total-profit disgorgement, charging more just means losing more. This will leave upstarts with little

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[2] To be clear, *amici* are not advocating for greater protection for either willful infringers or counterfeiters, who are rightly subject to severe penalties for their wrongdoing. *E.g.*, 35 U.S.C. 284 (providing enhanced damages for willful infringement); 18 U.S.C. 2320 (making it a federal crime to traffic in goods bearing counterfeits of registered marks). *Amici*'s sole concern is that legitimate competition should not be unduly hindered by fears of inadvertent infringement.

choice but to avoid competing against design-patent holders rather than bear the risk of a disgorgement penalty, which will make them far less vigorous competitors.[3]

Of course, the realm of patent creates an exclusive property right meant to protect the value of an inventor's contribution. Patent law is thus designed to deter some degree of competition—and necessarily so—but that exclusivity inevitably also breeds a degree of risk and uncertainty that sometimes over-deters. This is no mere idle speculation. Studies confirm that companies forced to work under threats from patent holders spend far less on research and development—regardless of the merits of those threats.[4] And in surveys, startup executives admit that litigation risks frequently force their firms to make substantial shifts in strategy or exit business lines entirely.[5] Threats of total-profit disgorgement awards will magnify these anti-competitive side-effects of patent protection to wildly excessive proportions. Design-patent holders will be able to leverage the resulting uncertainty to extract exorbitant sums, and frighten away competition, even if their

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[3] Tim Sparapani, *Stretched Too Far: Convoluted Design Patent Rules Empower Patent Trolls*, Forbes, December 3, 2015, http://www.forbes.com/sites/timsparapani/2015/12/03/stretched-too-far-convoluted-design-patent-rules-empower-patent-trolls/.

[4] Stephen Kiebzak et al., *The Effect of Patent Litigation and Patent Assertion Entities on Entrepreneurial Activity* 3 (MIT Sloan Sch. of Mgmt., Working Paper No. 5095-14, 2015).

[5] Colleen Chien, *Startups and Patent Trolls*, 17 Stan. Tech. L. Rev. 461, 461-462 (2014); *see also* Robin Feldman, *Patent Demands and Startup Companies: The View from the Venture Capital Community* 49 (UC Hastings Research Paper No. 75, 2013).

infringement allegations are suspect. And this will unfairly hamper the ability of entrepreneurs to compete with design-patent holders in a manner that drastically exceeds what is necessary to protect a design-patent holder's inventive contribution.

These untoward effects of the Federal Circuit's erroneous ruling will be felt in a variety of industries. They may be most pronounced in design-heavy consumer electronics markets. But other industries will experience them too, including those in which design would not be expected to have an impact. This was amply illustrated in *Nordock, Inc. v. Systems, Inc.*, 803 F.3d 1344 (Fed. Cir. 2015). The product at issue in that case could not have been less design-intensive: a dock leveler that enables a smooth transfer of items from trucks onto loading docks. *Id.* at 1347. The patented design could not have been for a more utilitarian, less ornamental feature: the "lip and hinge plate" on the leveler. *Ibid.* And the manufacturer could not have been less cosmopolitan, operating from Malvern, Arkansas and Germantown, Wisconsin.[6] But the consequences were nevertheless excessively harmful to the business. The Federal Circuit, relying on the decision below in this case, rejected all attempts to limit the patent holder's recovery to profits actually attributable to the patented design, and held that the manufacturer should have been forced to disgorge all of its gains on the dock leveler. 803 F.3d at 1354-1355. This shows that the Federal Circuit's decision will not only have a significant anti-competitive impact, but also a dramatic reach, with significant consequences for minority and rural entrepreneurs.

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[6] See DLM, *Contact US*, http://www.dlminc.net/Contact-Us/.

Minority and rural entrepreneurs will be particularly hard-hit by the anti-competitive harms posed by the Federal Circuit's interpretation of Section 289 because of their vulnerable position in the American marketplace. Historically, minorities have found it harder to start and develop businesses than whites, because of inequalities in experience and education, access to financial capital, as well as lending and other types of discrimination.[7] Rural business development and employment have also lagged behind businesses in metropolitan markets, both because rural businesses are geographically distant from many commerce centers, and also because the poverty, poor health, and lack of education prevalent in rural areas place severe limitations on the available labor supply.[8]

Because of these difficulties, rural and minority-owned businesses tend to be smaller, fewer in number, and undercapitalized than the average.[9] Moreover, these communities were disproportionately affected by the economic downturn in 2007-2008, and have since

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[7] Robert W. Fairlie et al., U.S. Dep't of Commerce, Minority Bus. Dev. Agency, *Disparities in Capital Access between Minority and Non-Minority-Owned Businesses: the Troubling Reality of Capital Limitations Faced by MBEs* 13, 17-27 (2010) (*Troubling Reality*), http://people.ucsc.edu/~rfairlie/presentations/Disparities%20in%20Capital%20Access%20Report%202010.pdf.

[8] Council of Econ. Advisors, Exec. Office of the President, *Strengthening the Rural Economy – the Current State of Rural America* Section B (*Strengthening the Rural Economy*), https://www.whitehouse.gov/administration/eop/cea/factsheets-reports/strengthening-the-rural-economy/the-current-state-of-rural-america.

[9] *Troubling Reality* 9; Deborah Markley et al., RUPRI, *Access to Capital in Rural America: Supporting Business Startup, Growth and Job Creation in the Wake of the Great Recession, Interim Brief* 2 (Apr. 2012), http://www.rupri.org/Forms/Capital Markets_Briefing_April2012.pdf.

faced greater difficulty obtaining financing for new businesses.[10]

Accordingly, minority and rural entrepreneurs often find themselves as upstarts forced to compete against more-established businesses in a host of industries, uniquely dependent on open, competitive markets to succeed, and uniquely vulnerable to anti-competitive threats from more-established, design-patent-wielding rivals. The generally small size of rural and minority-owned businesses provide them little capacity to absorb a potential profit-disgorgement award. And the special difficulties these communities face in obtaining capital will make it harder for them to raise money to cover the increased design, research, and development costs needed to mitigate the risk of design infringement, which in turn will make it even harder for them to bring new products to market. Accordingly, threats of total-profit disgorgement will close markets to many entrepreneurs from minority and rural communities, leaving them with fewer opportunities for individual success, and depriving their communities of jobs and chances for advancement in the process.

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[10] *Troubling Reality* 18; VEDC, *Investing in the Success of African-American-Small Businesses: Recommendations for Increasing Access to Capital* 1 (Oct. 2015), https://www.jpmorganchase.com/content/dam/jpmorganchase/en/legacy/corporate/news/document/vedc-investing-in-success-of-aaosb.pdf; *Access to Capital in Rural America* 2.

B. The risk of total-profit disgorgement damages also threatens the affordability of Internet access for minority, rural, and low-income Americans.

The anti-competitive forces set in motion by the Federal Circuit's decision also threaten to make smartphones far more expensive, rendering it impossible for millions of low-income, minority and rural Americans to connect to the Internet.

1. Drastically excessive design-patent damage awards threaten to raise the cost of smartphones.

The risk of total-profit disgorgement awards created by the Federal Circuit's ruling will put significant cost pressures on the smartphone industry. The industry is already heavy with design patents, with nine of the top twenty design patent holders in the United States tied to the industry in some way.[11] The costs of producing smartphones are also notoriously high—laden with hefty research and development expenses, costs for exotic materials, and indeed, patent royalties that nearly match the cost of the hardware that goes into the phone. *Smartphone Royalty Stack*, note 11, *supra*, at 2. Accordingly, those in the smartphone industry generally face a greater risk of disgorgement threats than those in other industries, with less capacity to absorb those risks.

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[11] Ann Armstrong et al., *The Smartphone Royalty Stack: Surveying Royalty Demands for the Components Within Modern Smartphones* 67 (WilmerHale Working Paper, Apr. 2014) (*Smartphone Royalty Stack*), https://www.wilmerhale.com/uploadedFiles/Shared_Content/Editorial/Publications/Documents/The-Smartphone-Royalty-Stack-Armstrong-Mueller-Syrett.pdf.

Some might downplay the risk of total profit disgorgement in smartphone designs on the basis that design patents are supposed to be limited to ornamental features that should in theory be easy to design around. But that is not likely to be the case in practice. Smartphone design options are already restricted because the available design space on a phone case is sharply limited, and the demands of function dictate that all phones will be roughly similar at their core. Design options are further crowded out by the proliferation of design patents in the smartphone industry, which leaves little room for design innovation. As a result, the design choices of even the most well-intentioned smartphone manufacturer will likely implicate several design patents that might colorably apply, which will make the risk of disgorgement harder to avoid than many would assume.

These significant risks are likely to lead to decreased competition in the industry, as firms hit with disgorgement judgments, or threats of disgorgement, are forced out of business, forced out of the industry, or simply forced to refrain from vigorously competing. These factors will reverse the incentives that have compelled manufacturers to provide more affordable offerings, and will discourage innovations that would otherwise further drive down prices in the future.[12] All this means higher prices for consumers.

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[12] See Scott Martin, *Consumers likely to feel impact of Apple defeat of Samsung*, USA Today, August 27, 2012, http://usatoday30.usatoday.com/tech/news/story/2012-08-25/apple-samsung-patent-trial-impact/57332198/1.

2. *Smartphones play a vital role in providing marginalized communities with Internet Access*

These price increases will make life harder for all who depend upon smartphones for Internet access, but will be devastating for many minority and rural consumers, who stand so much to gain from Internet access, and for whom smartphones provide the only affordable means of obtaining that access.

From the very beginning of the Internet, there have been stark, economic, racial, and geographic gaps between these who could get online and those who could not—disparities that persist today.[13] As the result of the high cost of Internet access, as well as cultural and language barriers that have inhibited adoption,[14] some 22 percent of African-Americans (representing 10.1 million people) and 19 percent of Hispanics (another 10.8 million people) today lack Internet access, as compared to only 15 percent of whites.[15] Rural Americans have faced similar problems obtaining Internet connections because their

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[13] U.S. Dep't of Commerce, *Falling Through the Net: a Survey of the "Have Nots" in Rural and Urban America* (Jul. 1995), https://www.ntia.doc.gov/ntiahome/fallingthru.html.

[14] James Prieger, *The Broadband Digital Divide and the Benefits of Mobile Broadband for Minorities* 7, 9 (Pepperdine Univ. Sch. of Pub. Policy, Working Paper No. 45, 2013).

[15] U.S. Census Bureau, *2014 National Population Projections: Summary Tables* Table 10, https://www.census.gov/population/projections/data/national/2014/summarytables.html (projecting that there are 46.1 million "blacks" in the United States, and 56.7 million Hispanics); Andrew Perrin et al., Pew Research Ctr., *Americans' Internet Access: 2000-2015* 10 (2015); (*Americans' Internet Access*), http://www.pewinternet.org/files/2015/06/2015-06-26_internet-usage-across-demographics-discover_FINAL.pdf

geographical isolation impedes access—being 10 percent less likely than urban residents to be without a means to go online. *Americans' Internet Access*, note 15, *supra*, at 10. The poor and uneducated also are far less likely than the average to use the Internet or own a smartphone. *Id.* at 6.

This inability to access the Internet inhibits the upward mobility of many in minority and rural communities. Americans without ready Internet access find themselves effectively shut out of the many job openings that now require online applications.[16] And more generally, Internet exclusion prevents people from efficiently accessing information, participating in civic society, and communicating with others. The absence of Internet access thus is associated with persistent decreased social and economic mobility and diminished quality of life.[17]

While Internet exclusion hurts all unconnected Americans, it "compounds inequalities for historically marginalized groups."[18] The inability to connect to the Internet exacerbates effects of centuries of discrimination and cultural barriers that have left minorities unequal in virtually every facet of American life,

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(estimating that in 2015, 22 percent of blacks and 19 percent of Hispanics do not use the Internet).

[16] HUD, *Understanding the Broadband Access Gap*, PDR Edge, https://www.huduser.gov/portal/pdredge/pdr_edge_featd_article_100614.html.

[17] See Lisa M. Coleman, *Creating a Path to Universal Access: The FCC's Network Neutrality Rules, the Digital Divide, & the Human Right to Participate in Cultural Life*, 30 Temp. J. Sci., Tech. & Envt'l L. 33, 49-50 (2011).

[18] FCC, *Connecting America: the National Broadband Plan* 129 (2011), https://transition.fcc.gov/national-broadband-plan/national-broadband-plan.pdf.

including education, health, commerce, and political involvement.[19] And it reinforces the geographic isolation that poses socioeconomic, health, and educational problems for rural Americans not experienced by their urban and suburban peers. *Strengthening the Rural Economy*, note 8, *supra*.

These groups are beginning to make strides in obtaining the life-altering benefits of Internet access. Most minority groups, including African-Americans and Hispanics, are adopting broadband Internet at a pace well above the national average, a growth that is entirely attributable to smartphone ownership.[20] Now a higher proportion of both African-Americans (70 percent) and Hispanics (71 percent) own smartphones phones than whites (61 percent).[21] And minorities often forego wired connections entirely in favor of smartphones, in rates much higher than the average person.[22]

Smartphone adoption has improved the social, economic, and political lives of minorities, providing

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[19] Devah Pager et al., *The Sociology of Discrimination: Racial Discrimination in Employment, Housing, Credit, and Consumer Markets*, 34 Ann. Rev. Sociology 181, 186-193, 197-200 (2008).

[20] U.S. Dep't of Commerce, Nat'l Telecomm. & Info. Admin., *Digital Nation: Expanding Internet Usage* 11 (Feb. 2011) (*Expanding Internet Usage*), https://www.ntia.doc.gov/files/ntia/publications/ntia_internet_use_report_february_2011.pdf.

[21] Aaron Smith, Pew Research Ctr., *U.S. Smartphone Use in 2015* 13 (2015) (*U.S. Smartphone Use in 2015*), http://www.pewinternet.org/files/2015/03/PI_Smartphones_0401151.pdf.

[22] John B. Horrigan et al., Pew Research Ctr., *Home Broadband 2015* 32 (Dec. 12, 2014) (*Home Broadband 2015*), http://www.pewinternet.org/files/2015/12/Broadband-adoption-full.pdf.

them avenues to further educational attainment,[23] vital health resources for these underserved communities,[24] better business and employment opportunities,[25] and deeper social access and integration, *Hispanic Broadband Access*, note 24, *supra*, at 2.

Rural Americans have also begun to overcome their geographic isolation through mobile Internet access. Although rural Americans have been slower in adopting smartphones than those in suburban and urban areas, those who do purchase a smartphone are just as likely as those in urban areas to use it as their sole source of Internet access. *Ibid.*; *U.S. Smartphone Use in 2015*, note 21, *supra*, at 15. This has given rural communities access to mobile applications that provide enriching educational opportunities[26] and

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[23] Prieger 18 (noting that African-Americans especially have benefitted from online educational resources, being significantly more likely than average to take online classes).

[24] The Hispanic Inst., *Hispanic Broadband Access: Making the Most of the Mobile, Connected Future*, Mobile Future 13 (July 2012) (*Hispanic Broadband Access*) (noting that online health resources have proven uniquely important for minorities, who suffer higher-than-average rates of diabetes, obesity, and cardiovascular disease), http://mobilefuture.org/wp-content/uploads/2013/03/mobile-future.publications.hispanic-broadband-access.pdf.

[25] Aaron Smith, Pew Research Ctr., *Searching for Work in the Digital Era* 10, 17 (Nov. 19, 2015), http://www.pewinternet.org/files/2015/11/PI_2015-11-19-Internet-and-Job-Seeking_FINAL.pdf (noting that minorities are more likely than average to use the Internet to search for and apply to jobs online, and to use a smartphone as part of that job search).

[26] *E.g.*, ConnectEd Initiative, Exec. Office of the President, https://www.whitehouse.gov/issues/education/k-12/connected (detailing the President's initiative to bring mobile learning to rural school districts).

allow visits with doctors in far-away cities.[27] Perhaps more importantly, mobile applications promote the development of rural businesses, keeping farmers up to date on weather conditions and crop prices, and allowing geographically isolated rural businesses to tap into global markets from the palms of their hands.[28]

Vitally, these gains have been greatest for the least well-off in these historically marginalized communities, because low-income and uneducated Americans are far more likely to rely exclusively on a smartphone for Internet access than the average person. *U.S. Smartphone Use in 2015*, note 21, *supra*, at 3, 18. Indeed, low-income buyers are currently the fastest growing segment of the smartphone market.[29]

3. Increasing smartphone prices will make Internet access prohibitively expensive for millions in these marginalized communities.

Increased smartphone prices present a threat to these gains and an obstacle to further progress in

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[27] Clara Ritger, *How Mobile Apps Could Transform Rural Health Care*, Nat'l Journal, Nov. 11, 2013.

[28] Gordon Arbuckle Jr., Iowa State Univ. Extension & Outreach, *Iowa State Survey Shows Farmers Using Information Technology for Decision-making* (Sept. 23, 2015), http://www.extension.iastate.edu/article/iowa-state-survey-shows-farmers-using-information-technology-decision-making.

[29] NPD Group, *U.S. Smartphone Sales among Consumers Earning Less than $30,000 Grow More Than 50 Percent, According to the NPD Group* (Apr. 15, 2015), https://www.npd.com/wps/portal/npd/us/news/pressreleases/2015/us-smartphone-sales-among-consumers-earning-less-than-30000-grow-more-than-50-percent-according-to-the-npd-group/.

Internet adoption for the communities *amici* represent.

The predominant reason minority, rural, and low-income populations turn to smartphones for Internet access is that mobile Internet is usually far less expensive than a wired broadband connection. Smartphones can be purchased at many locations for under $100, much cheaper than the hefty price of a home computer.[30] And mobile broadband plans usually cost far less than their fixed broadband counterparts.[31] Affordable smartphones therefore enable Internet access for those who might not otherwise be able to afford it.

That said, many who currently rely on smartphones for Internet access can barely afford it, making their connection to the Internet extremely tenuous.[32] Cost is also the leading reason that currently unconnected minority and rural Americans cite for being unable to connect to the Internet. *Expanding Internet Usage*, note 25, *supra*, at 5. Accordingly, price increases brought about as the result of grossly excessive design-patent damages will make Internet access too expensive for many current adopters, and will put the

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[30] Lynette Holloway, *Apple vs. Samsung: Could Ruling Widen Digital Divide?*, NewsOne, 2014, http://newsone.com/3004430/apple-vs-samsung/.

[31] Nick Russo et al., *Open Technology Institute, The Cost of Connectivity 2014* 14, 21 (2014), https://www.newamerica.org/oti/the-cost-of-connectivity-2014/.

[32] *U.S. Smartphone Use in 2015* 6 (relating that nearly half of those who depend upon smartphones for Internet access have had to cancel their service, and 75 percent "frequently" or "occasionally" reach their data caps).

Internet further out of reach for those who have not yet connected.

In sum, the Federal Circuit's interpretation of Section 289 harms entrepreneurs from minority and rural communities by inhibiting the potential success of their developing businesses. It also harms the consumers and citizens of these communities, pricing them out of the only affordable means of obtaining the essential benefits of Internet access. This case thus presents pressing, nationwide problems warranting this Court's attention.

CONCLUSION

The petition should be granted and the judgment of the court of appeals should be reversed.

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SAMSUNG ELECTRONICS CO., LTD., SAMSUNG ELECTRONICS AMERICA, INC., AND SAMSUNG TELECOMMUNICATIONS AMERICA, LLC,

Petitioners,

v.

APPLE INC.,

Respondent.

ON PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF OF PUBLIC KNOWLEDGE AND THE ELECTRONIC FRONTIER FOUNDATION AS *AMICI CURIAE* IN SUPPORT OF PETITIONERS

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TABLE OF CONTENTS

TABLE OF AUTHORITIES ii
INTEREST OF *AMICI CURIAE* 1
SUMMARY OF ARGUMENT 2
ARGUMENT 4

I. The Federal Circuit's Reading of Section 289 Is a Serious Detriment to the Patent System . . 4
   A. Awarding Total Profits on Any Design Patent Infringement Grossly Unbalances Patent Rights 4
   B. The Resulting Undue Power Given to Patent Owners Will Likely Lead to a Wave of Abusive Patent Litigation 7

II. This Court Should Grant Certiorari to Avoid Serious Constitutional Doubts in the Interpretation of Section 289 10
   A. Excessively High Damages Awards Can Violate the Fifth and Fourteenth Amendments 11
   B. A Total Profits Award, Irrespective of Actual Harm, Potentially Violates These Due Process Principles 14
   C. Alternative Interpretations of Section 289 Would Avoid These Constitutional Doubts 17

CONCLUSION 20

TABLE OF AUTHORITIES

CASES

Alice Corp. Pty. Ltd. v. CLS Bank International,
134 S. Ct. 2347 (2014) 1

Apple Inc. v. Samsung Electronics Co.,
786 F.3d 983 (Fed. Cir. 2015) 18

Ashwander v. Tennessee Valley Authority,
297 U.S. 288 (1936) 18

BMW of North America v. Gore,
517 U.S. 559 (1996) 12–17

Catalina Lighting, Inc. v. Lamps Plus, Inc.,
295 F.3d 1277 (Fed. Cir. 2002) 6

Commil USA, LLC v. Cisco Systems, Inc.,
135 S. Ct. 1920 (2015) 8

Cooper Industries, Inc.
v. Leatherman Tool Group, Inc.,
532 U.S. 424 (2001) 13, 15

Crowell v. Benson,
285 U.S. 22 (1932) 18

Deshaney v. Winnebago County Department of Social Services,
489 U.S. 189 (1989) 11

eBay Inc. v. MercExchange, LLC,
547 U.S. 388 (2006) 7–8

FDA v. Brown & Williamson Tobacco Corp.,
529 U.S. 120 (2000) 19

Forest Group, Inc. v. Bon Tool Co.,
590 F.3d 1295 (Fed. Cir. 2009) 10

Garretson v. Clark,
111 U.S. 120 (1884) 9

Hooper v. California,
155 U.S. 648 (1895) 18

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533 U.S. 289 (2001) 18

King v. Burwell,
135 S. Ct. 2480 (2015) 19

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v. Universal Film Manufacturing Co.,
243 U.S. 502 (1917) 4

National Federation of Independent Businesses
v. Sebelius ("*NFIB*"),
567 U.S. 1 (2012) 18

Nautilus, Inc. v. Biosig Instruments, Inc.,
134 S. Ct. 2120 (2014) 1

Octane Fitness, LLC
v. Icon Health & Fitness, Inc.,
134 S. Ct. 1749 (2014) 1

Philip Morris USA v. Williams,
549 U.S. 346 (2007) 13–14

Quanta Computer, Inc. v. LG Electronics, Inc.,
553 U.S. 617 (2008) 4

Reno v. Flores,
507 U.S. 292 (1993) 11

Seaboard Air Line Railway v. Seegers,
207 U.S. 73 (1907) 12

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238 U.S. 482 (1915) 12, 15

St. Louis, Iron Mountain & Southern Railway Co. v. Williams,
251 U.S. 63 (1919) 11–12

State Farm Mutual Automobile Insurance Co. v. Campbell,
538 U.S. 408 (2003) 13, 15

State Street Bank & Trust Co. v. Signature Financial Group, Inc.,
149 F.3d 1368 (Fed. Cir. 1998) 9–10

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509 U.S. 443 (1993) 12–13

United States v. Bajakajian,
524 U.S. 321 (1998) 13

VirnetX, Inc. v. Cisco Systems, Inc.,
767 F.3d 1308 (Fed. Cir. 2014) 9

Waters-Pierce Oil Co. v. Texas,
212 U.S. 86 (1909) 11–12, 15

CONSTITUTIONAL PROVISIONS

U.S. Const. amend. 14 . . . . . 11–12, 14

U.S. Const. amend. 5 . . . . . 11, 14

STATUTES

35 U.S.C. § 289 . . . . . 2–4, 6–7, 14–19

——— § 292 10

Restatement (Second) of Torts § 903, at 453–54 (1977) 15

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U.S. Patent No. D554,140 (issued Oct. 20, 2007) 5

U.S. Patent No. D706,791 (issued June 11, 2014) . . . 5

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INTEREST OF *AMICI CURIAE*

Public Knowledge[1] is a non-profit organization that is dedicated to preserving the openness of the Internet and the public's access to knowledge, promoting creativity through balanced intellectual property rights, and upholding and protecting the rights of consumers to use innovative technology lawfully. Public Knowledge advocates on behalf of the public interest for a balanced patent system, particularly with respect to new and emerging technologies.

The Electronic Frontier Foundation ("EFF") is a non-profit civil liberties organization that has worked for over 25 years to protect consumer interests, innovation, and free expression in the digital world. EFF and its more than 26,000 dues-paying members have a strong interest in helping the courts ensure that intellectual property law serves the public interest.

Public Knowledge and the Electronic Frontier Foundation have previously served as *amici* in patent cases. *E.g.*, *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, 134 S. Ct. 2347 (2014); *Nautilus, Inc. v. Biosig Instruments, Inc.*, 134 S. Ct. 2120 (2014); *Octane Fitness, LLC v. Icon Health & Fitness, Inc.*, 134 S. Ct. 1749 (2014).

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[1] Pursuant to Supreme Court Rule 37.2(a), all parties recieved appropriate notice of the filing of this brief. Respondent consented to the filing of this brief; Petitioners provided blanket consent for filing. Pursuant to Rule 37.6, no counsel for a party authored this brief in whole or in part, and no counsel or party made a monetary contribution intended to fund the preparation or submission of the brief. No person or entity, other than *amici*, their members, or their counsel, made a monetary contribution to the preparation or submission of this brief.

SUMMARY OF ARGUMENT

It is virtually a tautology of the common law that compensatory damages must bear relation to compensation; indeed any civil award in law or equity must measure to the harm caused or wrongdoing done. Yet in this case the Court of Appeals rigidly interpreted a statute of patent law to *require* courts to award damages in a manner that can easily and often be grossly excessive compared to the relevant injury. The Court of Appeals read 35 U.S.C. § 289 such that upon infringement of a design patent—regardless of how small the patented contribution may be or how little damage the infringement may have caused—the patentee "shall" be awarded the total profits on the infringing product.

This rule constructed by the Federal Circuit is extraordinarily concerning and warrants this Court's review. Design patents can be drawn to even the most insignificant and basic components of large, complex products, and the actual value of such patents is minimal at best. But even a patent relevant to 1% of a product, under the Federal Circuit's announced rule, receives 100% of the profits on that product. The potential disparity between patent value and total profits would likely discourage many innovators from entering markets, cutting directly against the very purpose of patents as promoters of innovation.

Indeed, it would be entirely unsurprising if the Federal Circuit's damages rule spawned a new generation of abusive patent litigation. Several historical examples of different patent doctrines, such as business method patentability and false marking, exhibit a common pattern: the Federal Circuit establishes a new rule of patent law, and clever parties quickly construct an industry

around taking advantage of that new rule to profit off litigation. To allow a similar new industry to run rampant among design patents would be greatly devastating to the innovation economy and the public good.

This Court should further grant certiorari to avoid constitutional infirmities with § 289 arising out of the Federal Circuit's interpretation. In a series of cases, this Court has held that due process prohibits damages awards that are grossly excessive and disproportionate. Section 289, by the Federal Circuit's reading, identifies no outer bound to the discrepancy between the award of "total profits" and the actual value of a design patent infringement. Leaving that interpretation intact, future cases could easily present courts with damages awards under § 289 that are so awry as to entangle courts in litigation over due process.

Section 289 does not compel the particular interpretation chosen by the Federal Circuit, and there are alternative constructions that, besides being better as a matter of public policy, avoid raising this constitutional issue. This Court should grant certiorari and vacate the holding of the Court of Appeals.

ARGUMENT

I. THE FEDERAL CIRCUIT'S READING OF SECTION 289 IS A SERIOUS DETRIMENT TO THE PATENT SYSTEM

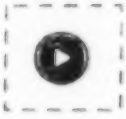
The Court of Appeals interpreted 35 U.S.C. § 289 to require awarding to a design patent owner the "total profits" on a product found to infringe, regardless of the significance of the patent relative to the product. This rule is greatly detrimental to the patent system and innovation in general, due to the potentially enormous disparity between damages award and patent value that the rule invites. Furthermore, the Court of Appeals opens the door to a new species of abusive patent lawsuit, namely those over design patents, that will potentially plague future innovators for years to come. Certiorari should be granted to avoid these consequences.

A. AWARDING TOTAL PROFITS ON ANY DESIGN PATENT INFRINGEMENT GROSSLY UNBALANCES PATENT RIGHTS

The Federal Circuit's rigid construction of § 289 will mainly serve to enrich design patent owners at the expense of the public's access to new technologies, and will provide an incentive for patent holders to restrict access to covered technology, and for abusive litigation practices. That would contravene "the primary purpose of our patent laws," which "is not the creation of private fortunes for the owners of patents but is 'to promote the progress of science and the useful arts.'" *Quanta Computer, Inc. v. LG Elecs., Inc.*, 553 U.S. 617, 626 (2008) (quoting *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U.S. 502, 511 (1917)).

Many design patents are directed not to entire products or devices, but rather to only small components or parts. For example, one patent at issue in current litigation concerns a basic slider component common to numerous computer user interfaces:

U.S. Patent No. D554,140 fig.2 (issued Oct. 20, 2007); *see* Complaint at ¶¶ 107–113, *Microsoft Corp. v. Corel Corp.*, No. 3:15-cv-5836 (N.D. Cal. Dec. 18, 2015). Another small-feature design patent is nothing more than a triangle inside a circle, intended as a play button icon:



U.S. Patent No. D706,791 fig.1 (issued June 11, 2014); *see also* U.S. Patent No. D741,316 (issued Oct. 20, 2015) (patent on a cutout on the lip of a laptop for purposes of opening the laptop, essentially a book thumb index applied to a computer).

By contrast, the products that potentially infringe design patents are often complex ones incorporating numerous technologies and designs. "Modern devices may potentially infringe many thousands of patents, held by numerous different owners." William F. Lee & A. Douglas Melamed, *Breaking the Vicious Cycle of Patent Damages*, 101 Cornell L. Rev. (forthcoming 2016) (manuscript at 20), http://ssrn.com/abstract=2577462. Thus, the profits on a complex product may derive from myriad technological and design innovations, any combination of which might drive consumers' purchasing decisions.

As a result, awarding "total profits" on an entire product for a patent on only a small component overcompensates the design patent owner to an absurd degree. This rule can grant one who owns a design patent on a minor, inconsequential element profits attributable to a large number of far more significant elements, including those covered by other utility and design patents. *See* Mark A. Lemley, *A Rational System of Design Patent Remedies*, 17 Stan. Tech. L. Rev. 219, 232–33 (2013).

Thus, the rule undervalues all those other contributions to the product. And it potentially ignores the interests of other patent owners whose innovations contributed to the profitability of the same product (and who seemingly would also be entitled to total profits). Commentators William F. Lee and Douglas Melamed criticize the phenomenon in which, "[w]hen thousands of patents cover the same device, judges and juries consistently and systematically overemphasize the value of the single patent (or patents) at issue as compared to all the others," Lee & Melamed, *supra*, at 35. Section 289 under the Federal Circuit's reading is the extremity of that problem.

The degree of overcompensation is most stark where the product manufacturer has "innocently" infringed, that is, where the defendant arrived at a similar design through its own inventive efforts. Total-profit damages under § 289 require no showing of the infringer's knowledge of infringement, of the patent itself, or of other products incorporating the design. *See, e.g., Catalina Lighting, Inc. v. Lamps Plus, Inc.*, 295 F.3d 1277, 1290 (Fed. Cir. 2002) ("The present version of § 289 . . . has no such 'knowing' requirement."). Thus, a company could develop a new product that coincidentally uses a minor patented design and then be blindsided with loss of all profits on

that product. Such a possibility would severely deter new firms from developing innovative products and bringing them to market.

The threat of such large awards will certainly exact a severe tax on technology development and dissemination and harm consumers. As Justice Kennedy noted, unduly strong patent remedies "can be employed as a bargaining tool to charge exorbitant fees," particularly "[w]hen the patented invention is but a small component of the product the companies seek to produce." *eBay Inc. v. MercExchange, LLC*, 547 U.S. 388, 396 (2006) (Kennedy, J., concurring). The threat of such awards alone will discourage many smaller inventors from developing and distributing products that compete with those of the design patent owner (or its licensees) for fear of being found liable for infringement by a jury. Even larger entities may shrink from such development when they stand to lose the profits from an entire line of business.

In sum, the Federal Circuit's interpretation of § 289 will potentially vastly overvalue patents and disincentivize innovation. These are concerning consequences in view of the patent system's intent to "promote the progress of science and useful arts," warranting this Court's careful review.

B. The Resulting Undue Power Given to Patent Owners Will Likely Lead to a Wave of Abusive Patent Litigation

The harms of a rigid "total profits" rule under § 289 will likely be no mere edge case: the chance to obtain disproportionately large damage awards will invite a mass of opportunistic litigation.

The Federal Circuit's interpretation of § 289 provides

an incentive for design patent owners to exploit the legal system to stifle competition, and enrich their "private fortunes" at the expense of the public. Likely this would result in development of "an industry . . . in which firms use patents . . . primarily for obtaining licensing fees." *Id.* (Kennedy, J., concurring), *quoted in Commil USA, LLC v. Cisco Sys., Inc.*, 135 S. Ct. 1920, 1930 (2015). Clever patent asserters would seek out the broadest, most simplistic design patents as tools to extract demands out of unsuspecting companies. "Indeed, some patentees are now using patent continuations to extend their patent rights to cover third party designs that were not infringing at the time they were made," a practice that one commentator decries as "standard and well-accepted patent gamesmanship." *See* Perry J. Saidman, *The Crisis in the Law of Designs*, 89 J. Pat. & Trademark Off. Soc'y 301, 319 (2007).

And design patent owners could further maximize their profits by opting not to license to or sue component manufacturers, waiting instead to seek a greater damages award based on more complete, and more profitable, downstream products. *See* Lee & Melamed, *supra*, at 35 n.182. This practice makes the design patent even less relevant to the total damages award.

Indeed, there is reason to believe that large-scale assertion of design patents is already on its way. *See* Giuseppe Macri, *Patent Trolls Are Already Abusing the Apple v. Samsung Ruling*, Inside Sources (Oct. 1, 2015), http://www.insidesources.com/patent-trolls-are-already-abusing-the-apple-v-samsung-ruling/ (describing infringement notification letter sent based on a "pending design patent portfolio" and citing the Federal Circuit decision to seek a settlement).

Such concerns mirror the much decried problem of "patent trolling" already evident with utility patents. The low-quality patent concerns common with abusive utility patent litigation are even more so present with design patents: as one empirical study found, "design patent prosecution is a relatively quick, inexpensive, and assured process without substantive examination as compared with either utility patent prosecution or trade dress registration." Dennis D. Crouch, *A Trademark Justification for Design Patent Rights* 17 (Univ. of Mo. Sch. of Law, Research Paper No. 2010-17, Aug. 10, 2010), http://ssrn.com/abstract=1656590.

And utility patents are even less optimal for abusive litigation because utility patent damages are calibrated to the scope of the infringement. *See Garretson v. Clark*, 111 U.S. 120, 121 (1884); *VirnetX, Inc. v. Cisco Sys., Inc.*, 767 F.3d 1308, 1326 (Fed. Cir. 2014). The financial rewards of design patent assertion are potentially much larger and more certain under the Federal Circuit's "total profits" rule. So the Federal Circuit's rule will create an incentive for entities to construct entire business models out of threats of costly litigation.

In other situations, Federal Circuit decisions expanding the profitability of litigation have spurred a wave of lawsuits. For example, the Federal Circuit's ruling in *State Street Bank & Trust Co. v. Signature Financial Group, Inc.*, authorizing patents on business methods, *see* 149 F.3d 1368, 1373 (Fed. Cir. 1998), resulted in a flood of lawsuits by entities seeking to profit off of software patent litigation.[2] Likewise, the Federal Circuit ruled in

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[2] *See* James Bessen & Michael J. Meurer, *Patent Failure* 150, 213–14 (2008) ("Unfortunately, the Federal Circuit has set software precedents that essentially remove most restrictions on abstract claims in

Forest Group, Inc. v. Bon Tool Co. that 35 U.S.C. § 292 imposed a $500 fine for each article that the defendant falsely marked. 590 F.3d 1295, 1304 (Fed. Cir. 2009). The ruling "exponentially raised the potential recoveries in false marking actions," causing a "meteoric rise in false patent marking suits." Brian T. Yeh, Cong. Research Serv., *False Patent Marking: Litigation and Legislation* 2 (2010), *available at* https://www.fas.org/sgp/crs/misc/R41418.pdf. "As one observer has described, 'false marking plaintiffs [are] scouring store shelves for any mass-manufactured product with inaccurate patent markings, with hopes for a massive payday.'" *Id.* (citations omitted). These historical precedents suggest that increased design patent litigation is likely to come.

Far from "promot[ing] the progress of science and useful arts" then, the Federal Circuit's absolute "total profits" rule, in practice, will serve rather to promote abusive litigation and licensing practices, and provide yet another mechanism for suppressing competition. Certiorari is required to avoid allowing this rule that would, left unchecked, facilitate abusive patent litigation.

II. THIS COURT SHOULD GRANT CERTIORARI TO AVOID SERIOUS CONSTITUTIONAL DOUBTS IN THE INTERPRETATION OF SECTION 289

Besides being bad policy, the Federal Circuit's interpretation may raise constitutional doubts, specifically because an absolute "total profits" rule can result in exces-

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software. . . The result has been both a proliferation of software patents and lawsuits"); *see also* Josh Lerner, *The Litigation of Financial Innovations*, 53 J.L. & Econ. 807, 810 (2010) (*State Street* "appears to have led to a substantial increase in the filing and granting of business method patents, including financial patents").

sively high and disproportionate damages awards that could violate the Fifth Amendment. This Court should grant certiorari and correct the interpretation to avoid a potential constitutional quagmire.

A. Excessively High Damages Awards Can Violate the Fifth and Fourteenth Amendments

That the Due Process Clause of the Fifth and Fourteenth Amendments prohibits "excessive" and "wholly disproportionate" damages is a longstanding principle of this Court.[3]

A long arc of cases confirms that due process constrains damages awards to bear some relationship to the harm caused. In *Waters-Pierce Oil Co. v. Texas*, this Court remarked that civil penalties could be unconstitutional where "the fines imposed are so grossly excessive as to amount to a deprivation of property without due process of law." 212 U.S. 86, 111 (1909). Similarly, *St. Louis, Iron Mountain & Southern Railway Co. v. Williams* suggested that a statutory penalty could "transcend the limitation" of the Fourteenth Amendment "where the penalty prescribed is so severe and oppressive as to be wholly disproportioned to the offense and obviously unreasonable." 251 U.S. 63, 66–67 (1919) (citing *Waters-Pierce Oil*, 212 U.S. at 111).

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[3] Although patent law, as federal law, is governed by the Due Process Clause of the Fifth Amendment rather than that of the Fourteenth Amendment, the standards appear not to differ. *See, e.g.*, *Reno v. Flores*, 507 U.S. 292, 301 (1993) (noting case law that "interprets the Fifth and Fourteenth Amendments' guarantee of 'due process of law' "); *Deshaney v. Winnebago County Dep't of Soc. Servs.*, 489 U.S. 189, 196 (1989) ("Like its counterpart in the Fifth Amendment, the Due Process Clause of the Fourteenth Amendment . . . .").

Though *Waters-Pierce Oil* and *St. Louis* ultimately found no due process violation on their respective facts, this Court did find such a violation in *Southwestern Telephone & Telegraph Co. v. Danaher*. There, a state had levied a relatively large civil penalty against a telephone company that had disconnected one of its users for insufficient payment. *See* 238 U.S. 482, 485–86 (1915). Particularly given its finding of "no intentional wrongdoing," this Court held that the penalty "was so plainly arbitrary and oppressive as to be nothing short of a taking of its property without due process of law." *See id.* at 491. *Danaher* thus stands for the proposition that a "plainly arbitrary and oppressive" recovery rule can violate due process.[4] *See generally* Sheila B. Scheuerman, *Due Process Forgotten: The Problem of Statutory Damages and Class Actions*, 74 Mo. L. Rev. 103 (2009).

Most recently, this Court has applied its expectation of proportionality between damages and injury in the context of punitive damages. In *TXO Production Corp. v. Alliance Resources Corp.*, 509 U.S. 443 (1993), a plurality of this Court relied on *Waters-Pierce Oil*, *St. Louis*, and *Danaher* to determine that "the Due Process Clause of the Fourteenth Amendment imposes substantive limits 'beyond which penalties may not go.'" *TXO*, 509 U.S. at 453–54 (quoting *Seaboard Air Line Ry. v. Seegers*, 207 U.S. 73, 78 (1907)).

That principle was followed in *BMW of North America v. Gore*, which held that the Fourteenth Amendment

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[4]It is noted that this Court specifically did *not* declare unconstitutional the overall statute disallowing discriminatory disconnection, but rather only found the statutory penalty to be insufficiently grounded. *See id.* at 490.

"prohibits a State from imposing a 'grossly excessive' punishment on a tortfeasor." 517 U.S. 559, 562 (1996) (citations omitted). Such a "grossly excessive" award, said this Court, can "enter the zone of arbitrariness that violates the Due Process Clause." *Id.* at 568; *see also Cooper Indus., Inc. v. Leatherman Tool Group, Inc.*, 532 U.S. 424, 434 (2001) ("The Due Process Clause of its own force also prohibits the States from imposing 'grossly excessive' punishments on tortfeasors." (citations omitted)).

Proportionality between the severity of the offense, the plaintiff's harm, and the amount of damages awarded therefore is a key indicator of the constitutionality of a damages award. *Gore* held that "punitive damages may not be 'grossly out of proportion to the severity of the offense.'" 517 U.S. at 576 (quoting *TXO*, 509 U.S. at 453, 462). Similarly, *Cooper Industries* found constitutional violations where "the punishments were 'grossly disproportional to the gravity of defendants' offenses.'" 532 U.S. at 435 (quoting *United States v. Bajakajian*, 524 U.S. 321, 334 (1998)) (alterations omitted); *see also State Farm Mut. Auto. Ins. Co. v. Campbell*, 538 U.S. 408, 1152 (2003) ("Overall, the ratio of punitive to compensatory damages needs to be reasonable considering the totality of the circumstances.").

Indeed, a rule allowing excessive damages can even fail *procedural* due process. In *Philip Morris USA v. Williams*, this Court considered a punitive damages award that was apparently premised largely on injury to third parties similarly situated to the plaintiff but not parties to the action. *See* 549 U.S. 346, 350–51 (2007). Noting initially that "the Constitution imposes certain limits, in respect both to procedures for awarding punitive damages and to amounts forbidden as 'grossly excessive,'"

id. at 353, this Court held that the Fourteenth Amendment "forbids a State to use a punitive damages award to punish a defendant for injury that it inflicts upon nonparties," *id.* Thus, where a damages award goes beyond compensation for the harm to the party itself, *Philip Morris* identifies a potential problem of procedural due process.

Accordingly, damages that are excessive and disproportionate in relation to a defendant's wrongdoing or to the amount of harm caused to the plaintiff can violate constitutional due process guarantees enshrined in the Fifth and Fourteenth Amendments.

B. A Total Profits Award, Irrespective of Actual Harm, Potentially Violates These Due Process Principles

In adopting a construction of § 289 that awards the plaintiff all of the defendants' profits on a product when that product contains only a small infringing element, the Federal Circuit has opened the door to damages awards that may be unconstitutionally high.

1. Where the infringing element comprises a minor contribution to an overall product and has a null or negligible effect on the product's profits, such awards may be "grossly out of proportion to the severity of [the defendant's] offense," *Gore*, 517 U.S. at 575, and disproportionate to the harm caused by the defendant's wrongdoing, *see id.* at 580–81. Indeed, much like *Philip Morris*'s concern with damage awards going beyond the "harm potentially caused *the plaintiff*," 549 U.S. at 354 (emphasis in original), a sufficiently large gap between patented feature and total product value can cause a total profit award to go far beyond harm to the patentee, beyond even valid

deterrent and punitive concerns, into the domain of constitutional excessiveness.

It is not dispositive that the *Gore* line of cases dealt specifically with punitive damages, while § 289 is a statutory damage provision. Commentators have observed that this Court "has applied due process excessiveness reviews to a wide variety of sanctions—not just to punitive damages, but also to civil fines, forfeitures, criminal penalties, and other deprivations of liberty or property." Pamela Samuelson & Tara Wheatland, *Statutory Damages in Copyright Law: A Remedy in Need of Reform*, 51 Wm. & Mary L. Rev. 439, 492 (2009).

The larger principle, which reconciles those cases and the *Waters-Pierce Oil* and *Danaher* lines, is that a legal or equitable award must show at least some reasonable relationship to the injury being remedied, for that award to pass muster under the Due Process Clause. There is potentially no such reasonable relationship where the actual injury relating to a small patented design feature is minimal and yet profits on a complete product are enormous.

And furthermore, to a certain degree, the total profits rule actually acts punitively. Compensatory damages "are intended to redress the concrete loss that the plaintiff has suffered by reason of the defendant's wrongful conduct." *Campbell*, 538 U.S. at 416 (citing *Cooper Indus.*, 532 U.S. at 432 (citing Restatement (Second) of Torts § 903, at 453–54 (1977))). Damages consisting of a defendant's "total profits" awarded under § 289 can far exceed the amount necessary for compensation of the injured plaintiff.

Scholars have observed that juries in determining statutory damages amounts are often motivated by moral

concerns more attributable to punitive aims than to compensatory ones. *See* Jed S. Rakoff, *Brace Lecture: Copyright Damages: A View from the Bench*, 62 J. Copyright Soc'y 377, 380 (2015) (contending that juries awarding copyright statutory damages "focus[] exclusively, and excessively, on the punitive functions"); Samuelson & Wheatland, *supra*, at 445 ("The application of [copyright] statutory damages . . . has resulted in many awards that are punitive in effect and often in intent."); *see also* Dan Levine, *Jury Didn't Want to Let Samsung Off Easy in Apple Trial*, Reuters (Aug. 25, 2012), http://www.reuters.com/article/apple-samsung-juror-idUSL2E8JP2A820120825 (quoting jury foreman).

Indeed, there is a sense in which the Federal Circuit's reading of § 289 is *worse* from a due process perspective than the punitive damages situations of *Gore* and its progeny. With punitive damages, a judge or jury has discretion to make a reasonable award. But under § 289, an infringer "shall be liable" for total profits—even if a judge or jury believes a lesser amount is warranted.

Furthermore, punitive damages require a showing of culpability, in stark contrast to the Federal Circuit's interpretation of § 289. So a defendant may be liable for a disproportionately large award even where that defendant lacks the "degree of reprehensibility" contemplated in *Gore*. *See* 517 U.S. at 575–78. For example, the defendant may have independently invented the patented design, or the defendant may reasonably believe that an element is functional and therefore not covered by a valid design patent.

2. Rejection of the Federal Circuit's interpretation of § 289 furthermore comports with the underlying rationales of the precedents of this Court.

Concerns of fairness spurred this Court to hold that due process disfavors grossly excessive damage awards. *Gore* referred to "[e]lementary notions of fairness" and to "fair notice . . . of the severity of the penalty" in arriving at its rule against grossly excessive punitive damages. *Id.* at 574–75.

The potentially excessive nature of the Federal Circuit's interpretation of § 289 may similarly raise fundamentally important concerns of fairness to the defendant. It is unfair because the entire profits of a complex device of many components, built by the hard work of numerous designers, developers, and engineers, are handed to a single design patent holder, ignoring the substantial contributions of the defendant and many other creators. Thus, where the disparity between the value of the design patent (and therefore, the harm to the plaintiff) and the amount of the "total profits" is high, these awards will serve not to compensate the plaintiff for its losses, but rather will represent a windfall to the patent holder and an unexpected total loss to the product manufacturer.

The Federal Circuit's reading of § 289 thus creates a potential and concerning conflict with the constitutional command of due process. Certiorari should be granted to correct this substantial error.

C. Alternative Interpretations of Section 289 Would Avoid These Constitutional Doubts

When one construction of a statute raises serious doubts about that statute's constitutionality, this Court will strive to adopt an alternative construction that does not do so. As this Court recently reiterated, "it is well established that if a statute has two possible meanings, one

of which violates the Constitution, courts should adopt the meaning that does not do so." *Nat'l Fed'n of Indep. Buss. v. Sebelius* ("*NFIB*"), 567 U.S. 1, 63 (2012). Indeed, "even if a serious doubt of constitutionality [of an act of Congress] is raised, it is a cardinal principle that this Court will first ascertain whether a construction of the statute is fairly possible by which the question may be avoided." *Crowell v. Benson*, 285 U.S. 22, 30 (1932). Where an alternative construction is available, courts "are obligated to construe the statute to avoid such [constitutional] problems." *Immigration & Naturalization Serv. v. St. Cyr*, 533 U.S. 289, 300 (2001) (citing *Ashwander v. Tenn. Valley Auth.*, 297 U.S. 288, 341, 345–48 (1936) (Brandeis, J., concurring)). "[E]very reasonable construction must be resorted to, in order to save a statute from unconstitutionality." *NFIB*, 567 U.S. at 65 (quoting *Hooper v. California*, 155 U.S. 648, 657 (1895)).

In this case, the relevant statute provides that one who has infringed a design patent "for the purpose of sale" or who "sells or exposes for sale" an infringing article, "shall be liable to the owner to the extent of his total profit." 35 U.S.C. § 289. Despite the Federal Circuit's assertion that the statutory language is "clear", § 289's reference to the defendant's "total profit" appears ambiguous. As Professor Lemley observed, Section 289 itself imposes "no requirement . . . that the profit be the profit from the sale of the infringing product at all." Brief *Amici Curiae* of 27 Law Professors in Support of Appellant Samsung at 12, *Apple Inc. v. Samsung Elecs. Co.*, 786 F.3d 983 (Fed. Cir. May 29, 2014) (Nos. 14-1335, -1368) [hereinafter Law Professors' Brief]. In addition, when interpreting a statute's text, this Court prefers to read the terms in the context of the statute as a whole. *See*

King v. Burwell, 135 S. Ct. 2480, 2489 (2015) ("[W]hen deciding whether the language is plain, we must read the works in their context and with a view to their place in the overall statutory scheme." (quoting *FDA v. Brown & Williamson Tobacco Corp.*, 529 U.S. 120, 133 (2000))).

Here, § 289's second paragraph again refers to the defendant's profits, providing "the owner of an infringed patent . . . shall not twice recover the profit made from the infringement." This section appears to indicate that the profits at issue are those caused by the infringement, not the defendant's profits as a whole. Read in context with the second paragraph of § 289, the meaning of "total profit" is therefore subject to further multiple interpretations. *See* Law Professors' Brief, *supra*, at 12. Indeed, Samsung's petition and the law professors' brief both provide "fairly plausible" alternative constructions of the statute. *See id.* at 12–13; Pet. Cert. 27.

In view of the constitutional problems raised by the Federal Circuit's construction of § 289, this Court should grant certiorari to review this construction pursuant to its preference for avoiding constitutionally problematic constructions and to avert future questions regarding the statute's constitutionality.

CONCLUSION

For the foregoing reasons, the writ of certiorari should be granted.

Respectfully submitted,

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Supreme Court of the United States

SAMSUNG ELECTRONICS CO., LTD., SAMSUNG ELECTRONICS AMERICA, INC., AND SAMSUNG TELECOMMUNICATIONS AMERICA, LLC,

Petitioners,

v.

APPLE INC.,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF OF SYSTEMS, INC. AS *AMICUS CURIAE* IN SUPPORT OF PETITIONERS

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TABLE OF CONTENTS

Page

TABLE OF CONTENTS. i

TABLE OF CITED AUTHORITIES ii

INTEREST OF AMICUS CURIAE 1

II. SUMMARY OF ARGUMENT 2

III. ARGUMENT 2

A. The Federal Circuit's Decision Is A Departure From A Century Of Established Law 3

1. The Federal Circuit's Interpretation of Section 289 Eliminates Any Meaningful Causation Requirement 3

2. The Federal Circuit's Interpretation of Section 289 May Improperly Result In Punitive Damages 4

B. The Impact On The Business Community Of The Federal Circuit's Error Is Very Real And Accelerating. 6

1. *Nordock v. Systems* 6

2. *Pacific Coast Marine Windshields v. Malibu Boats* 7

3. *Microsoft v. Corel* 8

CONCLUSION 10

TABLE OF CITED AUTHORITIES

Page

CASES

Aro Mfg. Co. v. Convertible Top Replacement Co.,
377 U.S. 476 (1964) 4

Bush & Lane Piano Co. v. Becker Bros.,
234 F. 79 (2d Cir. 1916) 3

Coast Marine Windshields, Ltd. v.
Malibu Boats, LLC et. al.,
6:12-cv-00033 (FLMD) 7

Dowling v. United States,
473 U.S. 207 (1985) 4

Fla. Prepaid Postsecondary Educ. Expense Bd.
v. Coll. Sav. Bank,
527 U.S. 627 (1999 4

General Motors Corp. v. Devex Corp.,
461 U.S. 648 (1983) 4

Microsoft Corporation v. Corel Corporation,
Case 5:15-cv-05836. 8

Nordock, Inc. v. Systems, Inc.,
Case No. 2:11-cv-118 (WIED) 5, 6

Pacific Coast Marine Windshields, Ltd. v.
Malibu Boats, LLC et. al.,
6:12-cv-00033 (FLMD) 7

Cited Authorities

Page

Read Corp. v. Portec, Inc.,
970 F.2d 816 (Fed. Cir. 1992) 5

ResQNet.com, Inc. v. Lansa, Inc.,
594 F.3d 860 (Fed. Cir. 2010) 3

Rite-Hite Corp. v. Kelley Co.,
56 F.3d 1538 (Fed. Cir. 1995) 3

Seymour v. McCormick,
57 U.S. (16 How.) 480 (1854) 4

STATUTES AND OTHER AUTHORITIES

35 U.S.C. § 284 ..... 2, 4, 5

35 U.S.C. § 289 ..... *passim*

Sup. Ct. R. 37.6 1

INTEREST OF AMICUS CURIAE [1]

Systems, Inc. ("Systems") has an important interest in the questions presented by this case because the law resulting from the Federal Circuit's decision in the instant matter is being applied to the substantial detriment of numerous other litigants including Systems.

Systems is a Wisconsin corporation in the business of building and selling dock levelers, which are large mechanical components used to bridge the gap between a delivery truck and a loading dock of a building. Systems is a party to an ongoing design patent dispute with Nordock, Inc. ("Nordock"). That dispute is described in greater detail below. Briefly explained, a jury found in Systems' favor regarding the proper measure of damages for infringement of Nordock's design patent. Nordock appealed the district court's refusal to set aside the jury's verdict. On appeal, the Federal Circuit concluded that the jury verdict did not comport with its holding in *Samsung v. Apple* and remanded for a new trial on damages.

The propriety of the Federal Circuit's decision remanding the *Systems v. Nordock* matter for a new trial on damages rises and falls with the merits of the instant action. In fact, Systems will be filing its own petition for

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1. Pursuant to Supreme Court Rule 37.6, amicus curiae states that no counsel for any party authored this brief in whole or in part and that no entity or person, aside from amicus curiae and its counsel, made any monetary contribution toward the preparation or submission of this brief. On December 21, 2014, Petitioner filed a letter with the Clerk of Court reflecting its blanket consent to the filing of amicus briefs. On January 5, 2016, amicus curiae sought and received consent from Respondent to file this brief.

writ of certiorari by the end of this month. Should this Court accept Samsung's petition and alter the Federal Circuit's decision in this matter, that action will have a direct impact on the outcome of the *Systems v. Nordock* matter, and may completely avoid an unnecessary re-trial.

II. SUMMARY OF ARGUMENT

Samsung's petition for a writ of certiorari should be granted so this Court can correct the Federal Circuit's erroneous interpretation of 35 U.S.C. § 289 awarding exorbitant damages for infringement of a design patent. The Federal Circuit has adopted an interpretation of Section 289 that appears to contradict over a century of established jurisprudence. In doing so, the Federal Circuit has created a damages model for infringement of a design patent completely devoid of the safeguards developed for damages recoverable under 35 U.S.C. § 284. The Federal Circuit's erroneous interpretation has resulted in a foot race to the courthouse with design patent holders seeking exorbitant windfalls in some cases that offend all notions of substantial justice. Systems, as amicus curiae, urges this Court to grant Samsung's petition and hear its case.

III. ARGUMENT

The Federal Circuit's interpretation of 35 U.S.C. § 289 contradicts both long-established law and general notions of substantial justice. The erroneous interpretation transforms what has always been a compensatory damages statute into a punitive one. Given the windfalls which necessarily follow, the district courts are now being flooded with new design patent cases.

A. The Federal Circuit's Decision Is A Departure From A Century Of Established Law

Samsung has petitioned this Court for a writ of certiorari, *inter alia*, to overturn the Federal Circuit's erroneous interpretation of 35 U.S.C. § 289 ("Section 289") as entitling a design patent plaintiff to defendant's total profits from sales of an accused product without even a common-sense analysis of whether those profits have the slightest causal nexus to the infringement.

Samsung's petition properly identifies the salient law illuminating the history, intent, and development of Section 289. Systems will not duplicate Samsung's petition, but will merely highlight and summarize the law implicated by matters set out in this brief.

1. The Federal Circuit's Interpretation of Section 289 Eliminates Any Meaningful Causation Requirement

Without belaboring the point, the law of patent infringement – like the law in general – has always required some causal nexus between patent infringement and damages recoverable for that infringement. See *Rite-Hite Corp. v. Kelley Co.*, 56 F.3d 1538, 1545 (Fed. Cir. 1995) (en banc) (lost profits); *ResQNet.com, Inc. v. Lansa, Inc.*, 594 F.3d 860, 869 (Fed. Cir. 2010) (per curiam) (reasonable royalty); c.f., *Bush & Lane Piano Co. v. Becker Bros.*, 234 F. 79, 81-82 (2d Cir. 1916).

Although Section 289 today is undeniably directed at recovering infringer's profits as a measure of damages for design patent infringement, nothing about that statute

suggests the measure of damages can be totally unrelated to the infringement. Rather, the language of Section 289 entitles the patent owner to "the profit made *from* the infringement," which at least implies that a nexus must exist between the infringement and the profits as a measure of damages.

The cases cited by Samsung in its petition establish that such a causal connection has always, until recently, been a requirement of damages under Section 289 and its predecessors. See, e.g., Samsung Petition at 33-34. The Federal Circuit's conclusion that Section 289 is devoid of any causal connection between infringement and damages is simply wrong, and this Court should grant the petition so that it can remedy the Federal Circuit's error.

2. The Federal Circuit's Interpretation of Section 289 May Improperly Result In Punitive Damages

The Patent Act and relevant jurisprudence limit recovery for patent infringement under 35 U.S.C. § 284 ("Section 284") to compensatory damages – damages actually incurred due to the infringement. See *General Motors Corp. v. Devex Corp.*, 461 U.S. 648 (1983). Congress and the courts have consistently agreed that in order to recover more than compensatory damages for patent infringement, some measure of willfulness on the part of the infringer must be present. See *Seymour v. McCormick*, 57 U.S. (16 How.) 480 (1854); *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476, 508 (1964); *Dowling v. United States*, 473 U.S. 207, 227 n.19 (1985); *Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank*, 527 U.S. 627, 663 n.15 (1999) (Stevens, J.,

dissenting) (quoting *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 826 (Fed. Cir. 1992)). In short, damages for patent infringement are limited to compensatory or "actual" damages unless the infringer acted with the requisite level of willful intent. And even if the infringement is willful, the patent owner may only recover at most *three* times actual damages. See 35 U.S.C. § 284.

There is no rational basis for declining to apply the same standard for enhanced damages to Section 289 that undeniably applies to Section 284. In other words, even if Congress' intent when enacting the predecessor to Section 289 was to effect disgorgement of the infringer's profits, nothing in that intent suggests punitive or enhanced damages is appropriate. Indeed, the language of Section 289 today suggests exactly the opposite. Congress would not have included language to prevent any recovery in excess of "the profit made *from the infringement*" if it had intended Section 289 to be punitive. 35 U.S.C. § 289 (emphasis added). Accordingly, the only rational conclusion is that Section 289 is intended to be compensatory and not punitive.

As demonstrated below with real world examples, the Federal Circuit's erroneous interpretation of Section 289 potentially results in damages awards that drastically exceed any compensatory damage amount attributable to the infringement. For example, even though willful infringement is a necessary prerequisite to a recovery of just *three* times compensatory damages under Section 284, in *Nordock v. Systems*, the patent owner stands to recover an amount exceeding *thirteen* times actual damages if the Federal Circuit's interpretation of Section 289 stands. Such a punitive result cannot have been intended by Congress when enacting Section 289.

B. The Impact On The Business Community Of The Federal Circuit's Error Is Very Real And Accelerating

The problem presented in Petitioner's case is not isolated or unique. Indeed, because of the Federal Circuit's position on Section 289 damages, more and more design patent cases are being filed and damages awards under Section 289 are a critical element in every one. Set out below are just a few recent design patent cases which are severely impacted by the Federal Circuit's interpretation of Section 289. The following cases are a brief illustration of the substantial impact that the Federal Circuit's interpretation is having on patent litigation today, and the problem appears to be worsening rapidly.

1. *Nordock v. Systems*

Systems, Inc. (*amicus curiae* on the instant brief) was sued for infringement of a design patent owned by Nordock, Inc. in the Eastern District of Wisconsin. See *Nordock, Inc. v. Systems, Inc.*, Case No. 2:11-cv-118 (WIED). At trial, the jury found that Systems' "mechanical" dock levelers did not infringe Nordock's design patent, but that certain "hydraulic" dock levelers did infringe. During trial, Systems' damages expert, Rick Bero, had testified that profits on the "front end" of the dock levelers would be no greater than $46,825. Mr. Bero testified that he calculated profits on only the "front end" of the dock leveler because only the "front end" of the dock leveler was claimed in Nordock's design patent.

The jury awarded $46,825 as the total amount of money Nordock was to receive for the infringement.

Nordock ultimately appealed to the Federal Circuit on the grounds that Nordock was entitled to Systems' profits on its *entire* dock leveler, which exceeded $600,000. The Federal Circuit relied on its decision in *Apple v. Samsung,* vacated the Jury's findings, and remanded the matter for a new trial on damages. In particular, the Federal Circuit found that the jury should have awarded Systems' total profits on the *entire* dock leveler rather than only the profit attributable to the infringement, i.e., the profits on the claimed "front end" design.

The Federal Circuit's decision, if allowed to stand, would impose a punitive damages award against Systems that exceeds *thirteen times* the actual damages attributable to the infringement. That unjust result is prompting Systems, *amicus curiae* in this matter, to file a petition for writ of certiorari in its own separate matter later this month.

2. *Pacific Coast Marine Windshields v. Malibu Boats*

The *Pacific Coast Marine Windshields v. Malibu Boats* case is yet another example of how district courts have applied the Federal Circuit's draconian interpretation of Section 289 to reach implausible results. *See, Coast Marine Windshields, Ltd. v. Malibu Boats, LLC et. al.,* 6:12-cv-00033 (FLMD). In *Pacific Coast,* plaintiff owned a design patent covering only a windshield design for a boat. However, plaintiff sought damages on the entire boat under the interpretation of Section 289 adopted by the Federal Circuit. On summary judgment, the District Court agreed and ruled that Pacific Coast could recover Malibu's total profits on the *entire boat* even though the

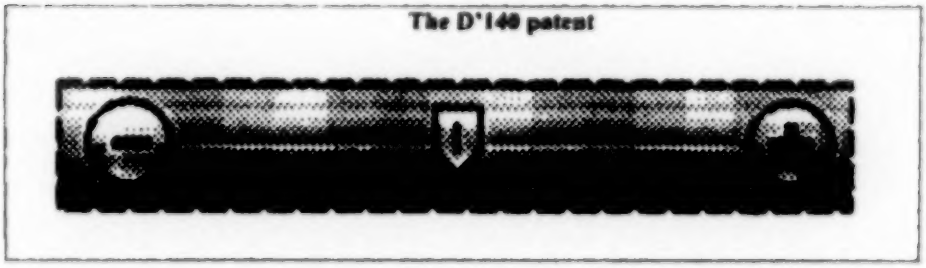
design patent only claims the windshield and even though Pacific Coast does not even make or sell boats. Shown below is a comparison of the patented design on the right with Malibu's boat on the left:

[patented design]

3. *Microsoft v. Corel*

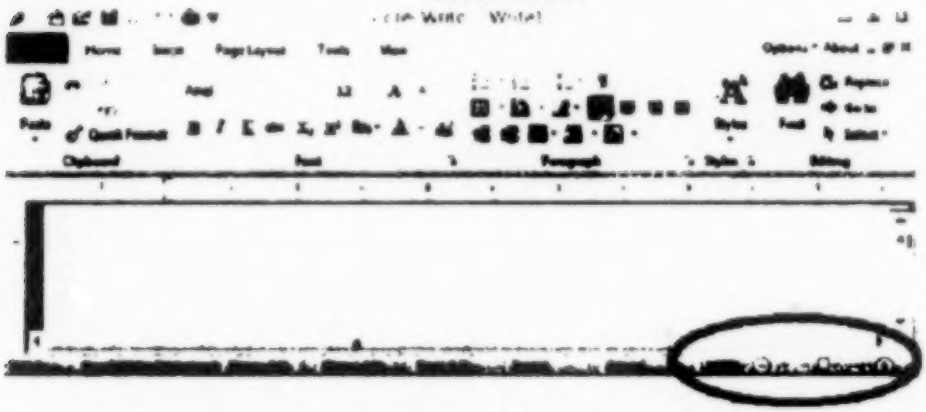
Even more compelling is the recently-filed case of *Microsoft Corporation v. Corel Corporation*, Case 5:15-cv-05836 (CAND). In that case, Microsoft sued Corel for infringement of a number of patents, including five utility patents and four design patents. Using the Federal Circuit's interpretation of Section 289, infringement of any one design patent would lead to an award of *all* of Corel's profits for the *entire* accused product.

Below is a reproduction of one of Microsoft's claimed designs, which is a graphical element used to scale the visible size of an electronic document.



And below is a reproduction of the Corel accused product purportedly using the claimed invention of the '140D patent. The portion circled in red is the accused element.

Corel Write:



Under the Federal Circuit's interpretation of Section 289, the damages available for infringement of the single graphical element circled in red will be the total profits on the *entire* accused product, i.e., the whole word processing program.

The Federal Circuit's interpretation of Section 289 raises even more substantial questions that this Court should address. For example, if a defendant, such as Corel, is found to infringe two or more design patents for the same accused product, such as the Corel Write word processor shown above, how many times can the patent owner recover total profits? Worst case, under the Federal Circuit's erroneous interpretation of Section 289, Microsoft stands to recover all of Corel's profits *four times over* without ever even making any causal connection between damages and infringement, and without proving willful infringement.

Such an unjust result cannot have been envisioned, or even contemplated, by Congress when it drafted the language of Section 289. For at least this additional reason, this Court should grant Samsung's petition and correct the Federal Circuit's error.

CONCLUSION

Samsung's petition for a writ of certiorari should be granted. The Federal Circuit's erroneous interpretation of Section 289 is contrary to a century of established law and is having a rapidly-increasing detrimental impact on patent litigants. It is time for this Court to review the Federal Circuit's rulings and correct the error.

Dated: January 15, 2016. Respectfully submitted

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IN THE

Supreme Court of the United States

SAMSUNG ELECTRONICS CO., LTD., *et al.*,

Petitioners,

v.

APPLE INC.,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF *AMICI CURIAE* OF 37 INTELLECTUAL PROPERTY PROFESSORS IN SUPPORT OF PETITION FOR CERTIORARI

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TABLE OF CONTENTS

Page

TABLE OF CONTENTS..... i

TABLE OF CITED AUTHORITIES iii

INTEREST OF *AMICI* 1

SUMMARY OF ARGUMENT..... 1

ARGUMENT..... 3

II. The Federal Circuit's Functionality Doctrine Gives Unwarranted Scope to Design Patents and Undermines the Promotion of Technological Progress..... 3

A. The Federal Circuit's Design Patent Functionality Doctrine Is Inconsistent with this Court's Constitutionally-Grounded Approach to Trade Dress Functionality 3

B. The Federal Circuit's Infringement Approach Permits Design Patent Owners Exclusivity over Functional Aspects of Designs 5

II. The Federal Circuit's Decision Limit Profits to Those Attributable to the Patented Design Produces Absurd Results..... 9

Table of Contents

Page

A. The Origin and Context of Section 289 9

B. Awarding a Defendant's Entire Profits Makes No Sense in the Modern World 11

C. Section 289 Does Not Require Disgorgement of Profits Unrelated to the Patented Design 15

IV. Conclusion 18

TABLE OF CITED AUTHORITIES

Page

CASES

Avia Group Int'l, Inc. v. L.A. Gear of Cal.,
853 F.2d 1557 (Fed. Cir. 1988) 4

Best Lock Corp. v. Ilco Unican Corp.,
94 F.3d 1563 (Fed Cir. 1996) 4

Bush & Lane Piano Co. v. Becker Bros.,
222 F. 902 (2d Cir. 1915) 16

Chrysler Motors Corp. v.
Auto Body Panels of Ohio, Inc.,
908 F.2d 951 (Fed. Cir. 1990) 5

Dobson v. Bigelow Carpet Co.,
114 U.S. 439 (1885).....10

Dobson v. Dornan,
118 U.S. 10 (1886).....10

Dobson v. Hartford Carpet Co.,
114 U.S. 439 (1885).....10

Egyptian Goddess, Inc. v. Swisa, Inc.,
543 F.3d 665 (Fed. Cir. 2008) 5, 6, 7

Garretson v. Clark,
111 U.S. 120 (1884).....10

Cited Authorities

Page

Gorham Co. v. White,
81 U.S. 511 (1871) 3

Graham v. John Deere Co.,
383 U.S. 1 (1966) 3-4

Int'l Seaway Trading Corp. v. Walgreens Corp.,
589 F.3d 1233 (Fed. Cir. 2009) 6

KSR Int'l Co. v. Teleflex, Inc.,
550 U.S. 398 (2007) 4

Lee v. Dayton-Hudson Corp.,
838 F.2d 1186 (Fed. Cir. 1988) 6

PHG Technologies, LLC v.
St. John Companies, Inc.,
469 F.3d 1361 (2006) 5

Power Controls Corp. v. Hybrinetics, Inc.,
806 F.2d 234 (Fed. Cir. 1986) 4

Richardson v. Stanley Works, Inc.,
597 F.3d 1288 (Fed. Cir. 2010) 6, 7

Seiko Epson Corp. v. Nu-Kote Int'l, Inc.,
190 F.3d 1360 (Fed. Cir. 1999) 4

Seymour v. McCormick,
57 U.S. 480 (1853) 14

Cited Authorities

Page

Taylor v. Meirick,
712 F.2d 1112 (7th Cir. 1983).....16

TrafFix Devices, Inc. v.
Marketing Displays, Inc.,
532 U.S. 23 (2001).....4, 5, 9

Uniloc USA, Inc. v. Microsoft Corp.,
632 F.3d 1292 (Fed. Cir. 2011) 13

Weber-Stephen Prods. LLC v.
Sears Holding Corp.,
2014 WL 5333364 (N.D. Ill. October 20, 2014).....7

Young v. Grand Rapids Refrigerator Co.,
268 F. 966 (6th Cir. 1920).....16

STATUTES AND OTHER AUTHORITIES

18 CONG. REC. 836 (1887).....10, 11

35 U.S.C. § 171(a).....3

35 U.S.C. § 289..... *passim*

1952 Patent Act 17

Act of Feb. 4, 1887, ch. 105, § 1, 24 Stat. 387 .....10, 11

H.R. REP. NO. 49-1966.....10, 11

Page

David Drummond, *When Patents Attack Android*, Google Official Blog (Aug. 3, 2011) 13

Frederic H. Betts, *Some Questions Under the Design Patent Act of 1887*, 1 Yale L.J. 181 (1892) 17

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Mark A. Lemley & Mark P. McKenna, *Scope*, __ Wm. & Mary L. Rev. __ (forthcoming 2016).....6

Mark A. Lemley, *A Rational System of Design Patent Remedies*, 17 Stan. Tech. L. Rev. 219 (2013) 14, 17

Mark A. Lemley, *Point of Novelty*, 105 Nw. U. L. Rev. 1253 (2011).....6

Mark P. McKenna & Katherine J. Strandburg, *Progress and Competition in Design*, 17 Stan. Tech. L. Rev. 1 (2014) 4

Michael Risch, *Functionality and Graphical User Interface Design Patents*, 17 Stan. Tech. L. Rev. 53 (2014).....4

INTEREST OF *AMICI*

Amici are law and business school professors at schools throughout the United States.[1] We have no personal interest in the outcome of this case, but a professional interest in seeing that patent law develops in a way that encourages rather than retards innovation and creativity. Institutional affiliations are given for identification purposes only.

SUMMARY OF ARGUMENT

This case presents two issues that justify this Court's review.

First, the Federal Circuit upheld a finding of design patent infringement based on the very same Apple designs that it found functional under trade dress law. Such a counterintuitive outcome is possible because the Federal Circuit has constructed a highly constrained definition of functionality in design patent law, which is at odds with this Court's precedent in both utility patent and trade dress cases. Coupled with its recent re-interpretation of the design patent infringement standard, the Federal Circuit's approach to functionality makes it quite likely that defendants will be held liable for doing nothing more than implementing functional features that could not be protected with utility patents. This Court should grant

1. No counsel for a party authored this brief in whole or in part, and no such counsel or party made a monetary contribution intended to fund the preparation or submission of this brief. No person other than the amici, or their counsel, made a monetary contribution intended to fund its preparation or submission. The parties have consented to the filing of this brief.

review to address the relationship of functionality to design patent infringement.

Second, despite Samsung's own patents, its engineering and design work, and the fact that technologies developed by Google and countless other inventors are incorporated in Samsung's phones, the Federal Circuit affirmed the jury's damages award of Samsung's entire profit from phones that were held to infringe Apple's design patents. Under the Federal Circuit's reading of 35 U.S.C. §289, design patent infringers, unlike infringers of copyrights, trademarks, or utility patents on technical inventions, are liable for their entire profits from an infringing product, even if the patented design is only a minor feature of that product.

That draconian rule is in conflict with both the Second's and Sixth Circuit's statutory interpretations, dates back more than a century to circumstances that no longer apply today, and is inconsistent with this Court's rule for utility patent damages. As applied to a modern, multicomponent product, the entire profit rule drastically overcompensates design patent owners, undervalues technological innovation and manufacturing know-how, and raises troubling questions about how to handle other potential claims to a share of the defendant's profits. The rule applies even to innocent design patent infringement, which recent Federal Circuit infringement precedent has rendered more likely.

This Court should grant certiorari to review the meaning of section 289, an issue it has never addressed. Section 289 should be read, in accordance with wise policy and the remainder of the patent statute, to limit

the award of profits to those attributable to infringement of the design patent.

ARGUMENT

II. The Federal Circuit's Functionality Doctrine Gives Unwarranted Scope to Design Patents and Undermines the Promotion of Technological Progress

A. The Federal Circuit's Design Patent Functionality Doctrine Is Inconsistent with this Court's Constitutionally-Grounded Approach to Trade Dress Functionality

The basic rule of design patent infringement has been the same since *Gorham Co. v. White*, which held that a design patent is infringed "if, in the eye of an ordinary observer, giving such attention as a purchaser usually gives, two designs are substantially the same, if the resemblance is such as to deceive such an observer, inducing him to purchase one supposing it to be the other." 81 U.S. 511, 528 (1871). Crucially, design patents protect only ornamentation. They may not cover the functional aspects of a product. 35 U.S.C. § 171(a) ("a design patent may only be granted for a "new, original, and *ornamental* design").

Functionality doctrine channels protection for a product's visual ornamentation and shape toward design patent protection, while claims to useful solutions are directed to utility patents. The doctrine prevents parties from obtaining a patent on the functional aspects of inventions that are obvious, a limitation this Court has held is constitutionally required. *Graham v. John Deere*

Co., 383 U.S. 1, 5-6 (1966); *KSR Int'l Co. v. Teleflex, Inc.*, 550 U.S. 398, 427 (2007). Utility patent doctrine aims to balance protections needed to induce invention with follow-on inventors' need to build on prior technologies and to ensure access to technologies in the public domain. In the trade dress context, this Court has recognized that overreaching protection can undermine this balance and must be reined in by the functionality doctrine. *See TrafFix Devices, Inc. v. Marketing Displays, Inc.*, 532 U.S. 23, 29-30, 34 (2001) ("The Lanham Act does not exist to reward manufacturers for their innovation in creating a particular device; that is the purpose of the patent law and its period of exclusivity.")

The Federal Circuit has eviscerated the functionality doctrine in design patent law, narrowing it almost to the point of nonexistence. *See, e.g.*, Mark P. McKenna & Katherine J. Strandburg, *Progress and Competition in Design*, 17 STAN. TECH. L. REV. 1 (2014); Michael Risch, *Functionality and Graphical User Interface Design Patents*, 17 STAN. TECH. L. REV. 53 (2014). Under the Federal Circuit's reading, a design is functional—and thus unprotectable—only if there is no other possible way to achieve the same technological utility. *Avia Group Int'l, Inc. v. L.A. Gear of Cal.*, 853 F.2d 1557, 1563 (Fed. Cir. 1988); *Seiko Epson Corp. v. Nu-Kote Int'l, Inc.*, 190 F.3d 1360, 1368 (Fed. Cir. 1999) (design is functional only if it is "the only possible form of the article that could perform its function."). Needless to say, that almost never happens. Indeed, the Federal Circuit has found a claimed design functional in only two published opinions, both issued before 1996.[2]

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2. *Best Lock Corp. v. Ilco Unican Corp.*, 94 F.3d 1563, 1566-57 (Fed Cir. 1996); *Power Controls Corp. v. Hybrinetics, Inc.*, 806 F.2d 234 (Fed. Cir. 1986). The Federal Circuit remanded on the

The Federal Circuit's "only possible form" standard for design patent functionality is much narrower than this Court's functionality standard for trade dress, under which a feature is functional not only if it "is essential to the use or purpose of the article" being sold, but also if "it affects the cost or quality of the article." *TrafFix*, 532 U.S. at 35. The inconsistency between the doctrines is evident in this very case. The Federal Circuit held Apple's trade dress invalid as functional, but it affirmed liability for infringement of design patents on the very same features. There is no justification in statutory text, history, or policy for interpreting functionality differently for design patents than for trade dress. This Court should harmonize the design patent functionality doctrine with its functionality precedents in trade dress law.

B. The Federal Circuit's Infringement Approach Permits Design Patent Owners Exclusivity over Functional Aspects of Designs

Recent developments in design patent infringement doctrine exacerbate the dangers in the Federal Circuit's meager view of functionality, making it even more likely that design patents will give their owners unwarranted control over utilitarian features. Design patent infringement is determined by asking "whether an ordinary observer, familiar with the prior art, would be deceived into thinking that the accused design was the same as the patented design." *Egyptian Goddess, Inc. v. Swisa, Inc.*, 543 F.3d 665, 672 (Fed. Cir. 2008) (en banc). Before 2008, courts applied

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issue in two other cases. *PHG Technologies, LLC v. St. John Companies, Inc.*, 469 F.3d 1361 (2006); *Chrysler Motors Corp. v. Auto Body Panels of Ohio, Inc.*, 908 F.2d 951 (Fed. Cir. 1990).

a "point of novelty" approach to the comparison, finding infringement only if the accused design incorporated novel and nonobvious aspects of the patentee's claimed design. *Id.* at 670-71.[3] The Federal Circuit rejected that approach, holding that the ordinary observer test is the "sole test" for determining infringement, *id.* at 678,[4] even when "the patented design incorporates numerous functional elements." *Richardson v. Stanley Works, Inc.*, 597 F.3d 1288, 1295 (Fed. Cir. 2010).

Many design patents cover designs that include clearly functional features, and many cover designs whose ornamentality in any ordinary sense of the term is questionable at best. *See* Mark A. Lemley & Mark P. McKenna, *Scope*, __ Wm. & Mary L. Rev. __ (forthcoming 2016), available at http://ssrn.com/abstract=2660951. But under current Federal Circuit law, the jury is no longer required to exclude those functional elements from consideration when it decides infringement. Under the Federal Circuit's unguided ordinary observer test, it is all too possible that a design patent owner will be able to prevent competitors from copying utilitarian features that are unprotectable under utility patent law.

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3. *See also Lee v. Dayton-Hudson Corp.*, 838 F.2d 1186, 1188 (Fed. Cir. 1988) ("it is the non-functional, design aspects that are pertinent to determinations of infringement").

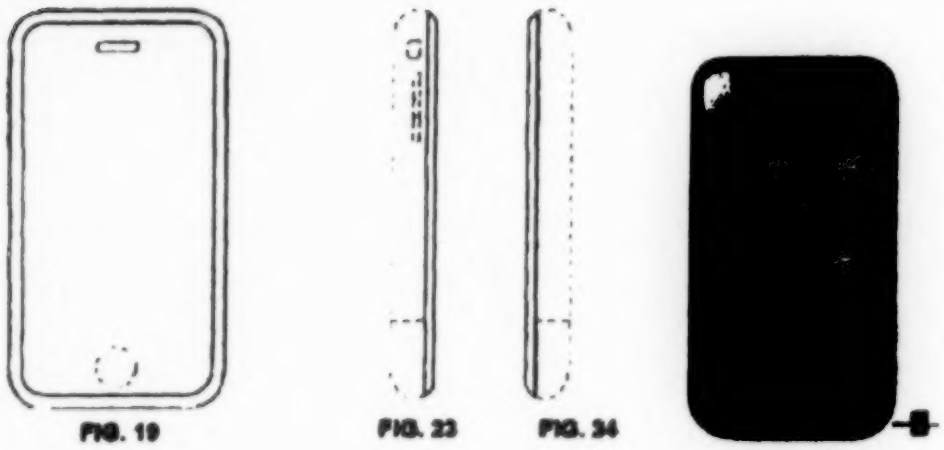
4. The Federal Circuit has also concluded that points of novelty no longer are relevant to design patent validity. *See, e.g., Int'l Seaway Trading Corp. v. Walgreens Corp.*, 589 F.3d 1233, 1237–38 (Fed. Cir. 2009); Mark A. Lemley, *Point of Novelty*, 105 Nw. U. L. Rev. 1253 (2011).

The Federal Circuit's analysis in *Richardson* suggested that the problems caused by the *Egyptian Goddess* infringement test might be mitigated by construing design patent claims in light of "the distinction between the functional and ornamental aspects of a design." 597 F.3d at 1293. The district court in that case, after identifying the ornamental aspects of the patented tool design, had deemed the accused design noninfringing because its only similarities to the claimed design related to unprotectable functional elements. *Id.* at 1295. The Federal Circuit affirmed, "agree[ing] that, ignoring the functional elements of the tools, the two designs are indeed different." *Id.* at 1296.

Subsequent developments have limited the effectiveness of the *Richardson* approach, however. The Federal Circuit has not required district courts to apply *Richardson* and filter out the unprotectable elements of a design. Moreover, district courts have had trouble applying *Richardson* in the common circumstance in which claim construction and functionality are handled separately. *See, e.g., Weber-Stephen Prods. LLC v. Sears Holding Corp.*, 2014 WL 5333364 (N.D. Ill. October 20, 2014) ("unlike the typical case, the *Richardson* trial court was able to consider claim construction and functionality together, with the benefit of a fully developed record at trial").

The Federal Circuit's opinion in the present case weakens *Richardson* still further by ruling that the ordinary observer should not ignore utilitarian aspects of the products in comparing the designs and that claims should not be construed to eliminate elements that are structural or "dictated by their functional purpose." 786

F.3d at 998. The court also deemed it unnecessary to instruct jury members to compare only the ornamental appearance of the accused product with the claimed design, as long as the instructions "as a whole" informed them that the patents claimed "the ornamental design" of the devices – a black-letter definition of a design patent. *Id.* at 999.



The facts of this case illustrate the importance of these doctrinal developments. Apple's patented design for the iPhone is shown at the left of the figure above. One of Samsung's accused phones is shown at the right. The trade dress analysis in the opinion recognizes that many features of Apple's design, such as rounded corners, a flat clear screen, and a bezel, are functional. Moreover, Apple was not the first to come up with a mobile computer with similar features.

An infringement analysis that excluded from the comparison design elements that were functional or in the prior art would recognize the narrowness of the patentable aspects of Apple's design and ask whether Samsung's products appropriated those aspects of the design that make it patentable.

By moving away from that approach and emphasizing the ordinary observer's comparison of the overall designs, the Federal Circuit creates a significant risk that a patentee will prevail even if an observer would find the two designs similar only because they share features that are functional or in the prior art.

This Court has made clear that the functionality doctrine exists to protect the public's right to make use of functional characteristics that are unpatentable or no longer protected by a utility patent. *TrafFix*, 532 U.S. at 29-30. Giving a design patent owner control over utilitarian features undermines the policy goals of the functionality doctrine. But that is precisely what results from the Federal Circuit's interpretation of design patent functionality and infringement law. This Court should grant review in order to align design patent law with the important policy goals of the functionality doctrine and render it consistent with the long-standing rules of utility patent and trade dress law.

II. The Federal Circuit's Decision Limit Profits to Those Attributable to the Patented Design Produces Absurd Results

A. The Origin and Context of Section 289

Patent law has long included a damages apportionment principle. While early patents tended to be on fairly simple machines or chemical inventions, the industrial revolution brought patents on small parts of large, multicomponent inventions, such as locomotives. When courts awarded damages or defendant's profits for infringement of such patents, they awarded damages attributable to the patent rather than to the defendant's product as a whole.

In *Garretson v. Clark*, for example, this Court said the patentee "must in every case give evidence tending to separate or apportion the defendant's profits and the patentee's damages between the patented feature and the unpatented features . . . ." 111 U.S. 120, 121 (1884).

In the nineteenth century, design patents were treated no differently. In the *Dobson* cases, involving carpets, this Court found that, while the design patents at issue had been infringed, there was no evidence by which a factfinder could distinguish the value of the patented design from the value of the unpatented carpet itself. As a result, the Court ultimately awarded only nominal damages of $0.06. *Dobson v. Dornan*, 118 U.S. 10, 18 (1886); *Dobson v. Bigelow Carpet Co.*, 114 U.S. 439 (1885); *Dobson v. Hartford Carpet Co.*, 114 U.S. 439 (1885). That result incensed many.

In 1887, when Congress rewrote the Patent Act, it responded to these concerns by passing a new provision addressing design patent infringement. That provision set a floor of $250 for design patent damages and made a defendant "further liable for the excess of such profit over and above" $250. Act of Feb. 4, 1887, ch. 105, § 1, 24 Stat. 387, 387. The 1887 Act made defendants liable only for knowing acts of design patent infringement, mitigating any potential unfairness of the Act's damages rule. As Representative Butterworth put it, "no man will suffer either penalty or damage unless he willfully appropriates the property of another." 18 CONG. REC. 836 (1887). The House Report similarly assured that "an innocent dealer or user is not affected." H.R. REP. NO. 49-1966, at 4.

B. Awarding a Defendant's Entire Profits Makes No Sense in the Modern World

The design patent damages provision remains, albeit in substantially modified form, in what is now section 289 of the Patent Act. Nowadays, however, design patent infringement, like utility patent infringement, is a strict liability claim, no longer requiring the knowing appropriation emphasized by Congress when passing the 1887 Act.

Congress's 1887 assumption that "it is the design that sells the article"[5] may still be true of carpets, but it surely is not true of all products covered by design patents today. The likelihood that a product incorporates more than one patented design is much greater than it was in 1887. Design patents on virtual features, such as icons, are particularly likely to overlap, and there are more and more of them. Jason J. Du Mont & Mark D. Janis, *Virtual Designs*, 17 STAN. TECH. L. REV. 107 (2013) (documenting the growth of virtual design patents). If there is more than one patented design in a product, the assumption that any particular patented design drives the sale of the product falls apart.

That is what has happened in this case. Here is one of Apple's many design patents on its iPhone.[6]

---

5. H.R. REP. No. 49-1966, at 3 (1886), *reprinted in* 18 CONG. REC. 834 (1887).

6. U.S. Patent No. D618,677. fig.1 (filed Nov. 18, 2008).

Here is another Apple iPhone design patent.[7]

It is (barely) possible to argue with a straight face that it is the shape and overall ornamental design of the iPhone, rather than its functionality, that motivates consumers to buy it. It is not even remotely plausible that the shape of the Apple iTunes icon is what motivates people to buy the whole iPhone. And it literally cannot be the case that the phone shape patent and the iTunes icon patent are *each*

7. U.S. Patent No. D668,263. fig.1 (filed Oct. 8, 2010).

the sole driver of a consumer buying the phone. Notably, all of the patents Apple asserted in this litigation cover discrete parts, rather than the entire phone. And while these patents on different aspects of the iPhone's design happen to be owned by the same company, there is no reason to think that the same will always be the case for similarly complex products.

Nor does all, or even most, of the value of a product come from patented designs. People do not buy iPhones for their appearance alone; they buy them for their functions. Those functions contribute substantially to the phone's value and they are covered by many utility patents. Indeed, by one estimate, there are 250,000 patents that arguably cover various aspects of a smartphone.[8] To conclude that one design patent drives the purchase of the product, and therefore that the defendant's entire profit is attributable to infringing that patent, is to say that none of those functional features contribute anything to the value of the phone – a ludicrous proposition.

Indeed, for most products (excluding, say, fashion) it is more plausible that a functional feature covered by a utility patent drives demand than that a patented design feature does. Yet even utility patent owners rarely are awarded damages based on the entire value of the product. In the rare case where that does happen, the utility patent owner must have proved that the patent was the basis for market demand. *Uniloc USA, Inc. v. Microsoft Corp.*, 632 F.3d 1292, 1318 (Fed. Cir. 2011). The Federal Circuit's interpretation of section 289 requires no such

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8. *See* David Drummond, *When Patents Attack Android*, Google Official Blog (Aug. 3, 2011), http://googleblog.blogspot.com/2011/08/when-patents-attack-android.html.

proof. It simply assumes that the only valuable thing about a product is its design. That assumption is not plausible in the modern world. *See* Mark A. Lemley, *A Rational System of Design Patent Remedies*, 17 STAN. TECH. L. REV. 219, 233 (2013).

Further, awarding the defendant's entire profit based on a plaintiff's small contribution to a product's value would cause significant mischief, as this Court noted in *Seymour v. McCormick*, 57 U.S. 480 (1853):

> If the measure of damages be the same whether a patent be for an entire machine or for some improvement in some part of it, then it follows that each one who has patented an improvement in any portion of a steam engine or other complex machines may recover the whole profits arising from the skill, labor, material, and capital employed in making the whole machine, and the unfortunate mechanic may be compelled to pay treble his whole profits to each of a dozen or more several inventors of some small improvement in the engine he has built. By this doctrine even the smallest part is made equal to the whole, and 'actual damages' to the plaintiff may be converted into an unlimited series of penalties on the defendant.
>
> We think, therefore, that it is a very grave error to instruct a jury 'that as to the measure of damages the same rule is to govern, whether the patent covers an entire machine or an improvement on a machine.'

Id. at 490-91.

C. Section 289 Does Not Require Disgorgement of Profits Unrelated to the Patented Design

The proper interpretation of section 289 should consider the provision as a whole. Section 289 currently reads in its entirety:

> Whoever during the term of a patent for a design, without license of the owner, (1) applies the patented design, or any colorable imitation thereof, to any article of manufacture for the purpose of sale, or (2) sells or exposes for sale any article of manufacture to which such design or colorable imitation has been applied ***shall be liable to the owner to the extent of his total profit***, but not less than $250, recoverable in any United States district court having jurisdiction of the parties.
>
> Nothing in this section shall prevent, lessen, or impeach any other remedy which an owner of an infringed patent has under the provisions of this title, ***but he shall not twice recover the profit made from the infringement***.

35 U.S.C. §289 (emphasis added).

Section 289 does say that a defendant is "liable to the owner to the extent of his total profit." Read literally, that general language might permit damages beyond profits from the sale of the infringing product. Nonetheless, basic principles of remedies law require a plaintiff to show some connection between the damages and the infringement. As the Seventh Circuit put it in the copyright context, a

plaintiff must do more than simply attach the defendant's income tax return to the complaint and say it wants all the money that defendant made from whatever source.[9]

That basic principle has been applied in design patent cases as well. Indeed, in one early design patent case, in which the defendant sold refrigerators with door latches that infringed the plaintiff's patent, the court refused to award the entire profits from refrigerators, instead defaulting to the $250 statutory minimum because the latch was not sold separately. *Young v. Grand Rapids Refrigerator Co.*, 268 F. 966, 973-74 (6th Cir. 1920). The court required a connection between the design patent and the profits awarded, and held that the owner of a patent on a latch was not entitled to the entire profit on the refrigerator. Similarly, the court in *Bush & Lane Piano Co. v. Becker Bros.*, 222 F. 902 (2d Cir. 1915) opined:

> The question which seems to have received little attention upon the accounting, due probably to the form of the decree, is whether the profits made by the defendant should be the entire profits of the sales of the piano and case or the profits upon the sale of the case which alone is the sole subject of the patent. We are of the opinion that the latter rule should have controlled the accounting.

---

9. *Taylor v. Meirick*, 712 F.2d 1112, 1122 (7th Cir. 1983) ("If General Motors were to steal your copyright and put it in a sales brochure, you could not just put a copy of General Motors' corporate income tax return in the record and rest your case for an award of infringer's profits.").

Id. at 903; *see also* Lemley, *supra*, at 235; Frederic H. Betts, *Some Questions Under the Design Patent Act of 1887*, 1 YALE L.J. 181 (1892).

The final paragraph of section 289, prohibiting double counting of the defendant's profits and the plaintiff's losses, also supports awarding only the profits attributable to the patented design. In defining "double counting," the statute refers to the defendant's profits measure as "the profit made from the infringement." 35 U.S.C. §289. That language clearly contemplates a focus on the profits attributable to the patented design: the profit at issue in a design patent case is not the defendant's total profit, or even defendant's total profit from a single product, but the profit "made from"—that is, causally derived from—"the infringement."

Further evidence in support of that interpretation comes from another change to the statutory language. The 1952 Patent Act deleted language from the original statute awarding profits "made by him from the manufacture or sale, as aforesaid, of the article or articles to which the design, or colorable imitation thereof, has been applied." That original language suggested that the profit to be awarded was that associated with the articles as a whole, rather than only that profit attributable to the patented design. The deletion of that language, coupled with the reference in the second paragraph to "profits made from the infringement," suggests an interpretation of section 289 that awards only those profits attributable to the patented design.

IV. Conclusion

This Court should grant certiorari to restore functionality to its proper role in validity and infringement inquiries and to reverse the Federal Circuit's interpretation of section 289.

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No. 15-777

IN THE

Supreme Court of the United States

SAMSUNG ELECTRONICS CO., LTD., SAMSUNG ELECTRONICS AMERICA, INC., AND SAMSUNG TELECOMMUNICATIONS AMERICA, LLC,

Petitioners,

v.

APPLE INC.,

Respondent

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

JOINT APPENDIX
VOLUME I of II

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TABLE OF CONTENTS

Page

VOLUME I

United States District Court for the Northern District of California Relevant Docket Entries *Apple Inc. v. Samsung Elecs Co, Ltd*, No 5 11-cv-01846-LHK-PSG 1

United States Court of Appeals for the Federal Circuit Relevant Docket Entries· *Apple Inc v Samsung Elecs Co. Ltd*, No 14-1335 11

March 2, 2012 Transcript of Deposition, Testimony of Minhyouk Lee (excerpt) . 14

March 22, 2012 Expert Report of Terry Musika (excerpts) . . . 19

April 20, 2012 Corrected Expert Report of Michael J Wagner (excerpts) 23

June 30, 2012 Order Granting-In-Part And Denying-In-Part Motions to Exclude Expert Testimony (excerpt) 86

July 19, 2012 Minute Order and Case Management Order (excerpt) 88

July 29, 2012 Apple's Objections to Samsung's Opening Statement Demonstrative Exhibits (excerpt). . . 90

July 29, 2012 Samsung's Responses to Apple's Objections to Samsung's Opening Slides (excerpt). 92

TABLE OF CONTENTS—Continued

	Page
July 29, 2012 Order on Apple's Objections to Samsung's Opening Slides (excerpt)...	94
July 31, 2012 Transcript of Trial Proceedings (excerpts)	96
August 3, 2012 Transcript of Trial Proceedings (excerpts)	102
August 6, 2012 Transcript of Trial Proceedings (excerpts)	142
August 7, 2012 Transcript of Trial Proceedings (excerpts)	168
August 10, 2012 Transcript of Trial Proceedings (excerpts)	177
August 12, 2012 Order Regarding Objections to Exhibits, Order Granting Apple's Motion to Exclude Testimony (excerpt)	183
August 13, 2012 Transcript of Trial Proceedings (excerpts)	186
August 13, 2012 Revised (Disputed) Joint Proposed Jury Instructions for After the Close of Evidence (excerpts)	199
August 14, 2012 Transcript of Trial Proceedings (excerpts)	210
August 15, 2012 Transcript of Trial Proceedings (excerpts)	216
August 16, 2012 Transcript of Trial Proceedings (excerpts)	220

TABLE OF CONTENTS—Continued

Page

August 17, 2012 Transcript of Trial Proceedings (excerpts) 236

August 20, 2012 Transcript of Trial Proceedings (excerpts) . . 245

August 21, 2012 Exhibit L to Samsung's Proffer of Witness Testimony and Exhibits MPCP Project 2006 (excerpts) . 248

August 21, 2012 Exhibit P to Samsung's Proffer of Witness Testimony and Exhibits Korean Design Registration 30-0452985 S2.. 257

August 21, 2012 Final Jury Instructions (excerpts) . . . 267

August 24, 2012 Amended Verdict Form (excerpts) 272

November 11, 2013 Supplemental Order Regarding Apple's Objections to Samsung's Opening Slides . . . 281

November 14, 2013 Transcript of Trial Proceedings (excerpts) 288

November 14, 2013 Transcript of Testimony of JunWon Lee through Deposition Designation 305

November 15, 2013 Transcript of Trial Proceedings (excerpts) 308

November 21, 2013 Verdict Form (excerpts) 338

TABLE OF CONTENTS—Continued

Page

February 7, 2014 Order Denying Samsung's Motion For Judgment As A Matter of Law, Remittur, Or A New Trial; Denying Apple's Motion For Judgment As A Matter Of Law And Other Posttrial Relief (excerpts) .. . 340

August 25, 2015 Letter to District Court from Apple Requesting Entry of Partial Final Judgment 348

September 18, 2015 Partial Final Judgment 350

TRIAL DEMONSTRATIVES

Plaintiff's Trial Demonstrative No. 34B.9 . 351

Defendants' Trial Demonstrative No 3909 59 351

Plaintiff's Closing Trial Demonstrative No. 9 352

Plaintiff's Closing Trial Demonstrative No 13 352

Plaintiff's Closing Trial Demonstrative No 15 353

Plaintiff's Closing Trial Demonstrative No. 22 353

Defendants' Closing Trial Demonstrative No 5010 014. 354

Defendants' Closing Trial Demonstrative No. 5010 130. 354

TABLE OF CONTENTS—Continued

Page

Defendants' Closing Trial Demonstrative No. 5010 405 355

VOLUME II

TRIAL EXHIBITS

Plaintiff's Exhibit 3, Apple and Samsung Smartphones 356

Plaintiff's Exhibit 6, Summary of Press Reports Regarding Samsung Phone Designs 359

Plaintiff's Exhibit 7, Photographs of accused Samsung devices 365

Plaintiff's Exhibit 10, Design alternatives considered by Peter Bressler (excerpt) . 395

Plaintiff's Exhibit 34, Translation of Presentation· Feasibility Review on Standalone AP Business for Smart Phone Market (excerpts) 396

Plaintiff's Exhibit 36, Presentation Touch Portfolio Rollout Strategy Recommendation Based on Consumer Insight (excerpts) 401

Plaintiff's Exhibit 40, Translation of Email from Bong-Hee Kim regarding Summary of Executive-Level Meeting Supervised by Head of Division (February 10) . . 414

TABLE OF CONTENTS—Continued

Page

Plaintiff's Exhibit 44, Relative Evaluation Report on S1, iPhone, March 2, 2010 Product Engineering Team SW Verification Group (excerpts) 426

Plaintiff's Exhibit 52, Presentation: Samsung's Use of Apple Patents in Smartphones (excerpts).... 429

Plaintiff's Exhibit 69, JD Power And Associates 2011 Wireless Smartphone Satisfaction Survey (excerpts).. 434

Plaintiff's Exhibit 133, "Apple Waves Its Wand at the iPhone," by David Pogue, New York Times, January 11, 2007.. 441

Plaintiff's Exhibit 134, "Testing Out the iPhone," by Walter S Mossberg and Katherine Boehert, The Wall Street Journal, June 27, 2007 447

Plaintiff's Exhibit 135, "Best Inventions of 2007," by Lev Grossman, Time, November 1, 2007 459

Plaintiff's Exhibit 143, Excerpts from iPhone Buyer Survey, FY10-Q4 . . 464

Plaintiff's Exhibit 144, Excerpts from iPhone Buyer Survey, FY11-Q1 . .. 470

Plaintiff's Exhibit 145, Excerpts from iPhone Buyer Survey, FY11-Q2 472

Plaintiff's Exhibit 146, Excerpts from iPhone Buyer Survey, FY11-Q3 474

TABLE OF CONTENTS—Continued

Page

Plaintiff's Exhibit 158A, User Interface Alternative Designs—BlackBerry Torch 9850 476

Defendants' Exhibit 511, Japanese design patent JP D1241638 ("JP638") .. 477

Defendants' Exhibit 572, Smartphone Market Study, US, January 2011 (excerpts) 484

Defendants' Exhibit 578, April 14, 2010 Apple internal email chain and meeting agenda; subject line "iPhone 'firsts'" 488

Defendants' Exhibit 586, Samsung-Apple Licensing Discussion, October 5, 2010 493

Defendants' Exhibit 592, ComTech United States Report Q410 (excerpts) 502

Defendants' Exhibit 684, Photographic Summary of Samsung Devices . . . 506

Defendants' Exhibit 727, Korean Registered Design KR30-0418547, Certified Translation 507

Defendants' Exhibit 728, Japanese Design Registration JP D1241383, Certified Translation 513

Defendants' Exhibit 2627, 3GSM Congress Trade Show Report (excerpts)... .. 521

Defendants' Exhibit 2708, Email from P Schiller re Preliminary US Smartphone Purchase Influencers Retail Study data . 525

TABLE OF CONTENTS—Continued

Page

Joint Exhibit 1041, Certified copy of US D593,087, issued May 26, 2009. 530

Joint Exhibit 1042, Certified copy of US D604,305, issued November 17, 2009 553

Joint Exhibit 1043, Certified copy of US D618,677, issued June 29, 2010 . 566

UNITED STATES DISTRICT COURT,
N.D. CALIFORNIA,
SAN JOSE DIVISION

Case No. 5 11–CV–01846–LHK

APPLE INC.,

v

SAMSUNG ELECTRONICS CO., LTD.,

RELEVANT DOCKET ENTRIES

DATE	NO.	PROCEEDINGS
4/15/2011	1	Complaint (with jury demand) against Samsung Electronics America, Inc., Samsung Electronics Co. Ltd., Samsung Telecommunications America, LLC *** Filed by Apple Inc ***
6/16/2011	75	Amended Complaint *** against Samsung Electronics America, Inc., Samsung Electronics Co. Ltd., Samsung Telecommunications America, LLC. Filed by Apple Inc.. ***
6/30/2011	80	Samsung Entities' Answer to Amended Complaint of Apple Inc., Counterclaim by Samsung Entities against Apple Inc. by Samsung Telecommunications America, LLC, Samsung Electronics America, Inc., Samsung Electronics Co. Ltd. ***

DATE	NO.	PROCEEDINGS
4/7/2012	857-5	*** [March 22, 2012 Expert Report of Terry Musika -- Under Seal Version Lodged With Court]
5/18/2012	940	*** Apples Motion To Exclude Testimony Of Samsungs Experts filed by Apple Inc. *** [Under Seal Version Lodged With Court]
5/18/2012	940-1	*** Apples Motion To Exclude Testimony Of Samsungs Experts filed by Apple Inc. *** [Public Redacted Version]
5/31/2012	999	*** Samsung's Opposition to Apple's Motion to Exclude Expert Testimony *** [Under Seal Version Lodged With Court]
5/31/2012	999-2	*** Samsung's Opposition to Apple's Motion to Exclude Expert Testimony *** [Public Redacted Version]
6/7/2012	1059	*** Apply's Reply to Samsung's Opposition to Apple's Motion to Exclude Opinions of Certain of Samsung's Experts filed by Apple Inc. *** [Under Seal Version Lodged With Court]
6/7/2012	1059-1	*** Apply's Reply to Samsung's Opposition to Apple's Motion to Exclude Opinions of Certain of Samsung's Experts filed by Apple Inc. *** [Public Redacted Version]

DATE	NO.	PROCEEDINGS
6/12/2012	1089	*** Apple's Opening Design Patent Claim Construction Brief *** [Under Seal Version Lodged With Court]
6/12/2012	1089-3	*** Apple's Opening Design Patent Claim Construction Brief *** [Public Redacted Version]
6/12/2012	1090	*** Samsung's Opening Claim Construction Memorandum *** [Under Seal Version Lodged With Court]
6/12/2012	1090-1	*** Samsung's Opening Claim Construction Memorandum *** [Public Redacted Version]
6/26/2012	1136	*** Apple's Response To Samsung's Opening Memorandum Regarding Design Patent Claim Construction by Apple Inc. ***
6/26/2012	1139	*** Samsung's Opposition to Apple's Claim Construction Brief *** [Under Seal Version Lodged With Court]
6/26/2012	1139-3	*** Samsung's Opposition to Apple's Claim Construction Brief *** [Public Redacted Version]
6/30/2012	1157	Order Granting in Part and Denying in Part Motions to Exclude Expert Testimony Signed by Judge Lucy H. Koh on 6/29/2012. ***

DATE	NO.	PROCEEDINGS
7/3/2012	1177	*** Apples Reply Regarding Design Patent Claim Construction filed by Apple Inc. ***
7/25/2012	1322	*** Samsung's Unsealed Trial Brief and Exhibits Thereto ***
7/25/2012	1323	Trial Brief by Apple Inc. ***
7/25/2012	1343	Unredacted Apple Reply ISO Motion to Exclude Testimony of Samsung Experts ***
7/26/2012	1352	Reply in Support of Opening Memorandum re Claim Construction by Samsung ***
7/27/2012	1425	Order Regarding Design Patent Claim Construction. Signed by Judge Lucy H. Koh on 7/27/2012 ***
7/29/2012	1447	Order Amending Design Patent Claim Construction. Signed by Judge Lucy H. Koh on 7/29/2012 ***
8/2/2012	1546	Transcript of Proceedings held on 07-30-12, before Judge Lucy H. Koh. ***
8/2/2012	1547	Transcript of Proceedings held on 07-31-12, before Judge Lucy H. Koh. ***
8/7/2012	1610	Transcript of Proceedings held on 08-03-12, before Judge Lucy H. Koh. ***

DATE	NO	PROCEEDINGS
8/7/2012	1611	Transcript of Proceedings held on 08-06-12, before Judge Lucy H. Koh. ***
8/7/2012	1612	Transcript of Proceedings held on 08-07-12, before Judge Lucy H. Koh. ***
8/13/2012	1694	*** Revised (Disputed) Joint Proposed Jury Instructions For After The Close Of Evidence ***
8/13/2012	1695	Transcript of Proceedings held on 08-10-12, before Judge Lucy H. Koh. ***
8/19/2012	1839	Transcript of Proceedings held on 08-13-12, before Judge Lucy H. Koh. ***
8/19/2012	1840	Transcript of Proceedings held on 08-14-12, before Judge Lucy H. Koh. ***
8/19/2012	1841	Transcript of Proceedings held on 08-15-12, before Judge Lucy H. Koh. ***
8/19/2012	1842	Transcript of Proceedings held on 08-16-12, before Judge Lucy H. Koh. ***
8/19/2012	1843	Transcript of Proceedings held on 08-17-12, before Judge Lucy H. Koh. ***
8/21/2012	1889	Reformatted Final Exhibit List. Signed by Judge Lucy H. Koh on 8/21/12 ***

DATE	NO.	PROCEEDINGS
8/21/2012	1903	Final Jury Instruction[s] *** Signed by Judge Lucy H. Koh on 8/21/12 ***
8/24/2012	1931	Amended Jury Verdict ***
9/24/2012	1997	Transcript of Proceedings held on 08-21-12, before Judge Lucy H. Koh. ***
9/24/2012	1998	Transcript of Proceedings held on 08-20-12, before Judge Lucy H. Koh. ***
9/24/2012	1999	Transcript of Proceedings held on 08-24-12, before Judge Lucy H. Koh. ***
10/2/2012	2013	Motion for Judgment as a Matter of Law, New Trial and/or Remittitur Pursuant to Federal Rules of Civil Procedure and 50 and 59 by Samsung ***
10/19/2012	2050	Opposition to (2013 Motion for Judgment as a Matter of Law, New Trial and/or Remittitur Pursuant to Federal Rules of Civil Procedure 50 and 59) filed by Apple Inc ***
11/9/2012	2131	Reply (re 2013 Motion for Judgment as a Matter of Law, New Trial and/or Remittitur Pursuant to Federal Rules of Civil Procedure 50 and 59) filed by Samsung ***

DATE	NO.	PROCEEDINGS
1/29/2013	2220	Order by Judge Lucy H. Koh granting in part and denying in part 2013 Motion for Judgment as a Matter of Law ***
3/1/2013	2271	Order by Judge Lucy H. Koh granting in part and denying in part 1819 Motion for Judgment as a Matter of Law; temporarily granting in part and denying in part 2002 Motion for Judgment as a Matter of Law ***
8/30/2013	2386-2	*** [2013] Expert Report of Julie L. Davis *** [Under Seal Version Lodged With Court]
9/25/2013	2454-6	*** [March 22, 2012 Expert Report of Terry Musika -- Public Redacted Version]
10/29/2013	2607-3	*** [2013] Expert Report of Julie L. Davis *** [Public Redacted Version]
11/14/2013	2738	Transcript of Proceedings held on 11-12-13, before Judge Lucy H. Koh. ***
11/14/2013	2739	Transcript of Proceedings held on 11-13-13, before Judge Lucy H. Koh. ***
11/18/2013	2784	Final Jury Instructions. Signed by Judge Lucy H. Koh on 11/18/2013 ***
11/18/2013	2789-1	*** Joint Submission of Final Admitted Trial Exhibit List ***

DATE	NO.	PROCEEDINGS
11/21/2013	2822	Jury Verdict. ***
12/3/2013	2840	Transcript of Proceedings held on 11-14-13, before Judge Lucy H. Koh. ***
12/3/2013	2841	***Sealed Unredacted***Transcript of Proceedings held on 11-15-13, before Judge Lucy H. Koh. ***
12/3/2013	2842	Redacted Transcript of Proceedings held on 11-15-13, before Judge Lucy H. Koh. ***
12/3/2013	2843	Transcript of Proceedings held on 11-18-13, before Judge Lucy H. Koh. ***
12/3/2013	2844	Transcript of Proceedings held on 11-19-13, before Judge Lucy H. Koh. ***
12/3/2013	2845	Transcript of Proceedings held on 11-20-13, before Judge Lucy H. Koh. ***
12/3/2013	2846	Transcript of Proceedings held on 11-21-13, before Judge Lucy H. Koh. ***
12/13/2013	2877	*** Samsung's Notice of Motion And Motion For Judgment as a Matter of Law, New Trial and/or Remittitur Pursuant to Federal Rules of Civil Procedure 50 and 59 filed by Samsung ***

DATE	NO.	PROCEEDINGS
12/14/2013	2881-2	*** Samsung's Motion for Judgment as a Matter of Law, New Trial, and/or Remittitur (Under Seal) ***
1/6/2014	2908-3	*** Redacted Apple Inc.'s Opposition to Samsung's Motion for JMOL, New Trial, and/or Remittitur ***
1/6/2014	2908-4	*** Unredacted Apple Inc 's Opposition to Samsung's Motion for JMOL, New Trial, and/or Remittitur ***
1/13/2014	2921-3	*** Redacted Version of Reply In Support of Samsung's Motion For Judgment as a Matter of Law, New Trial and/or Remittitur ***
1/13/2014	2921-4	*** Unredacted Version of Reply In Support of Samsung's Motion For Judgment as a Matter of Law, New Trial and/or Remittitur ***
2/7/2014	2947	Order by Judge Lucy H Koh denying 2876 Apple's Motion for Judgment as a Matter of Law; denying 2877 Samsung's Motion for Judgment as a Matter of Law ***
3/6/2014	3017	Final Judgment Signed by Judge Lucy H. Koh on 3/6/2014 ***
3/6/2014	3018	Notice of Appeal to the Federal Circuit as to 3017 Judgment by Samsung ***

DATE	NO.	PROCEEDINGS
3/24/2014	3052	Document E-filed Under Seal *** [April 20, 2012 Corrected Expert Report of Michael J. Wagner]
9/24/2014	3198	*** Redacted Version of Corrected Expert Report of Michael J. Wagner ***
8/25/2015	3264	Letter from Harold J. McElhinny [requesting entry of partial final judgment for Apple Inc.] ***
9/1/2015	3271	Opinion of U.S Court of Appeals for the Federal Circuit as to 3018 Notice of Appeal ***
9/1/2015	3272	Case Management Order. Signed by Judge Lucy H. Koh on September 1, 2015 ***
9/1/2015	3273	Mandate of USCA as to 3018 Notice of Appeal ***
9/18/2015	3290	Partial Final Judgment. Signed by Judge Lucy H. Koh on September 18, 2015 ***
3/22/2016	3472	Order by Judge Lucy H. Koh granting 3467 Samsung's Emergency Motion to Stay All Proceedings ***

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

14-1335, 15-1029

APPLE INC.,

v

SAMSUNG ELECTRONICS CO., LTD.,

RELEVANT DOCKET ENTRIES

DATE	NO.	PROCEEDINGS
3/10/2014	1	Appeal docketed. ***
5/23/2014	34	Brief Filed for Appellants Samsung Electronics America, Inc., Samsung Electronics Co., Ltd. and Samsung Telecommunications America, LLC [33]. Title: Opening Brief for Defendants-Appellants ***
7/28/2014	80	Brief Filed for Appellee Apple Inc. [77]. Title: Opening Brief ***
9/5/2014	129	Brief Filed for Appellants Samsung Electronics America, Inc , Samsung Electronics Co., Ltd. and Samsung Telecommunications America, LLC [128]. Title: Corrected Reply Brief. ***

DATE	NO.	PROCEEDINGS
9/15/2014	139	Appendix Filed for Samsung Electronics America, Inc., Samsung Electronics Co., Ltd. and Samsung Telecommunications America, LLC [134], [133]. Title: Joint Appendix. ***
12/4/2014	151	Submitted after Oral Argument by Ms. Kathleen M. Sullivan for Samsung Electronics America, Inc., Samsung Electronics Co., Ltd. and Samsung Telecommunications America, LLC and William F. Lee for Apple Inc.. Panel: Judge: Prost , Judge: O'Malley , Judge: Chen.
5/18/2015	158-1	Opinion and Judgment filed. The judgment or decision is: Affirmed-in-part, Reversed-in-part, Vacated-in-part and Remanded. (Precedential Opinion). (For the Court: Prost,Chief Judge; O'Malley,Circuit Judge and Chen,Circuit Judge).
6/17/2015	159	Petition for en banc rehearing filed by Appellants Samsung Electronics America, Inc., Samsung Electronics Co , Ltd. and Samsung Telecommunications America, LLC. ***
7/16/2015	204	The court invites a response from Appellee Apple Inc. to the petition for en banc rehearing filed by Appellants in 14-1335
7/20/2015	205	Response of Appellee Apple Inc to the petition for en banc rehearing

DATE	NO.	PROCEEDINGS
		[159] filed by Appellants Samsung Electronics America, Inc., Samsung Electronics Co., Ltd. and Samsung Telecommunications America, LLC in 14-1335. ***
8/13/2015	207	Order filed denying [159] petition for en banc rehearing filed by Samsung Electronics America, Inc., Samsung Electronics Co., Ltd. and Samsung Telecommunications America, LLC. By: En Banc (Per Curiam). ***
8/19/2015	208	Motion of Appellants Samsung Electronics America, Inc., Samsung Electronics Co., Ltd. and Samsung Telecommunications America, LLC to stay execution of the mandate until the filing and disposition of Samsung's petition for a writ of certiorari and, if the petition is granted, until the Supreme Court's final disposition ***
8/20/2015	209	Response of Appellee Apple Inc. to the motion to stay mandate ***
8/21/2015	210	Reply of Appellants *** to response filed by Appellee [regarding motion to stay] ***
8/25/2015	211	Order filed denying [208] motion to stay mandate ***
8/25/2015	212	Mandate issued to the United States District Court for the Northern District of California. Service as of this date by Clerk of Court.

[1] UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

[Filed 08/09/12]

Case No.: 11-cv-01846-LHK

APPLE INC., a California corporation,
Plaintiff,

v.

SAMSUNG ELECTRONICS CO., LTD., A Korean business entity; SAMSUNG ELECTRONICS AMERICA, INC., a New York corporation; SAMSUNG TELECOMMUNICATIONS AMERICA, LLC, a Delaware limited liability company,
Defendants.

SAMSUNG ELECTRONICS CO., LTD., A Korean business entity; SAMSUNG ELECTRONICS AMERICA, INC., a New York corporation; SAMSUNG TELECOMMUNICATIONS AMERICA, LLC, a Delaware limited liability company,
Counterclaim-Plaintiffs,

v.

APPLE INC., a California corporation,
Counterclaim-Defendant.

*** Highly Confidential – Attorneys' Eyes Only ***

Videotaped Personal Deposition of: Minhyouk Lee

March 2, 2012
Kim & Chang
Seoul, South Korea
9:03 A.M. – 3.47 P.M.

* * *

[69] BY MR. STERN:

Q. Were you involved in the design of the F700 in any way?

A. Oh, yes. I've looked at him do the design, and if he asks my opinion, I would give him my opinion, and we have discussions. That is the strength, the strong point of design in Samsung, not only in mobile, but for TV, washers, refrigerators, other products as well. Designers have a good system of collaborating with each other within Samsung.

Q. In designing the Galaxy S product, did you make use of the design of the F700 in any way?

MR. ZELLER: The question is vague

A. Well, there were many different designs, and the way I see it, whether it is the F700 or any other product for that matter, in this—everything in this world, every design in this world can be shared.

CHECK INTERPRETER: "There are many designs, and when it comes to design, from my perspective, irrespective of types of product, whether that might be F700 or a TV, all the design in this world shares certain commonality to a certain extent."

A. So regarding the F700, that was closely designed by SangMin Hyun and myself. Just a few meters away on the next seat, I saw him design it, and we had [70] many discussions on this F700.

LEAD INTERPRETER: Okay. I would like to clarify and correct a little bit of the previous translation by clarifying with the witness that, "I was seated very close to this person, so I saw him design at a close proximity. So although I don't know the full history of

this design, I do know certain perspectives of the design of this phone."

BY MR. STERN:

Q. Okay. My question actually was a little bit different.

At the time you designed the Galaxy S phone, you were aware of the F700, correct?

A. Yes, when I was designing, I knew it.

Q. In designing the Galaxy S, did you consciously draw on the design of the F700 in any way as a source of reference or inspiration for your work?

MR. ZELLER: The question is vague.

A. The F700, well not only this one, but before that, long before, there were many other products, so I cannot just limit it to this one.

CHECK INTERPRETER: "I don't think you can limit this to one product, F700. Even before F700, there are many different products, and I don't think you can really limit it to F700. That would be very vague to do."

[71] BY MR. STERN:

Q. When you designed the Galaxy S, did you intend to implement the design of the F700 in the Galaxy S?

MR. ZELLER: The question is vague as to "implement."

A. Well, regarding the Galaxy S, whether or not we implemented or did not implement, it is a continuum of many designs that could be whether it's my own philosophy, my own independent philosophy, or Samsung's values. I don't lean towards a particular

product. That's not the only thing I consider in all my designs.

CHECK INTERPRETER: "Rather than saying that F700 was implemented or not in Galaxy S, it is more accurate to say that it is an extension of my accumulated designs, and I have my own person philosophy as well as reflecting Samsung's value standard. I did not focus in only on one particular product or look at it specifically, and that was the cases for all of my designs."

BY MR. STERN.

Q. But if someone came up to you and asked, "Where did you get the idea for the design of the Galaxy S," your answer would not be "The F700," correct?

MR. ZELLER: This has been asked and answered, misstates the witness' testimony.

A. The design is my own independent design. It's [72] not whether I am—I get influenced from this or that. It spurs off for my own design philosophy, that's—and also in terms of must be reliable in terms of manufacturing, in addition, beautiful and productive as well. There's many perspectives that you have to view it.

Just because the shape is the same, you cannot say it's the same. You build it up from the beginning; it's built up and develops so forth It's not appropriate to pick up discussion on a particular model. I don't think that is a topic of discussion.

CHECK INTERPRETER: "The design is my own independent one. It's not whether or not I get influence from this or that. It spurs off from my own design philosophy, and that also needs to be considered with

manufacturability as well as the reliability issues. Of course, I'm going to design—the beautiful design could be part of it too, but you also have to consider productability. So there are many different things that you could—you should consider from different perspectives.

"Just because it appears—or looks similar, you cannot draw the conclusion because you have to consider that how it was built up from the beginning and how it was made. So I don't think it is appropriate to discuss it over—based on one particular model, whether

* * *

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

[Filed 09/25/13]

Case No. C-11-01846 LHK

APPLE INC., a California Corporation,

Plaintiff,

v

SAMSUNG ELECTRONICS CO , LTD , a Korean business entity, SAMSUNG ELECTRONICS AMERICA, INC , a New York corporation; SAMSUNG TELECOMMUNICATIONS AMERICA, LLC, a Delaware limited liability company,

Defendants.

EXPERT REPORT OF TERRY L. MUSIKA, CPA

SUBJECT TO PROTECTIVE ORDER HIGHLY CONFIDENTIAL – ATTORNEYS' EYES ONLY

* * *

Infringer's Profits

138. I understand that assuming infringement, a design patent owner may choose to recover the infringer's profit under §289 or one of the remedies relating to utility patents that were discussed above under 35 U.S.C §284. However, the design patentee's damages are limited to only one form of damage and the patentee may not recover both a lost profit and infringer's profit for the same unit. The infringer's

total profits are equal to the total sales of infringing product less the costs directly associated with the accused sales. It is the patentee's burden to establish the sales of accused products and the infringer's burden to establish the costs related to the accused sales.[127]

139. An owner of trade dress and trademark rights has the ability to recover the profits obtained by a person who violates those rights. It is the plaintiff's obligation to prove the revenues obtained for products that use the relevant intellectual property and the defendant's obligation to prove any costs and other allocations associated with the product and the relevant intellectual property.

140. As previously discussed, I have approached the overall damage calculation in a sequential manner to avoid an incorrect duplication of damages. I first calculated a lost profits remedy on accused products that qualified for a lost profits remedy. Next, I calculated an infringer's profits remedy on all accused products that qualify for an infringer's profit for which a previous lost profits amount has not been calculated.

141 The first step in the calculation of infringer's profits was identifying the Samsung units accused of infringing the design patents and the revenue associated with those. The individual Samsung products accused of infringing the individual Apple design patents are identified on Exhibit 4 Next, I determined the actual number of units that qualified for infringer's profits after removing those units for which a lost profit damage was calculated The determination of the units available for infringer's

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[127] Weil, Frank, Huges, and Wagner, Litigation Services Handbook, Fourth Edition, 2007, p 22 32

profits after removing the units for which a lost profits remedy was calculated is displayed on **Exhibit 17.2**.

142. Next, the sales amounts from **Exhibit 17.2** are listed on **Exhibit 17.3** as Samsung's infringing profit for each product. As stated above, Apple has the burden of identifying the accused revenue portion of infringer's profits. It is Samsung's burden to identify any related costs.

143. I have reviewed Samsung's document production and testimony concerning any alleged costs associated with the sale of accused items and have provided my own calculation of the costs associated with the accused revenue. Although the document production in this matter by both Apple and Samsung has been voluminous, I understand that Samsung's production of an Excel spreadsheet on February 3, 2012, bates numbered SAMNDCA00323946, that was also marked as Exhibit 1920[128] to the Timothy Sheppard's 30(b)(6) deposition on February 29, 2012, constituted Samsung's first representation of the sales and profits of the accused devices. Based on my independent review of this document, I determined that it was mathematically incorrect in that the reported detailed sales by product did not equal the reported total sales for all products. Additionally, this document failed to include sales for all of the models accused by Apple. The excluded models were Samsung's Galaxy S II (AT&T edition, 4G), Galaxy S II (T-Mobile edition), Galaxy S II Epic 4G Touch, Galaxy S II Skyrocket (4G LTE), Galaxy S Showcase,

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[128] Counsel for Samsung stated at the Deposition of Timothy Sheppard on February 29, 2012 that Exhibit 1920 was superseded by additional production Deposition of Timothy Sheppard, February 29, 2012, pp 37 38.

Galaxy Tab 7.0, Galaxy Tab 10.1 LTE and Mesmerize.[129]

144. Samsung subsequently produced a second version of the same spreadsheet on or about February 28, 2012, Bates numbered SAMNDCA00354292, that was marked as Exhibit 1922 to the Timothy

* * *

150. My use of Samsung's worldwide manufacturing gross profit percentage is conservative and is potentially prejudicial to Apple in that it ignores any profits that may have been earned at the individual sales subsidiaries, SEA and STA. Therefore, it presumes that the higher retail sales amount reported by the U.S. sales subsidiaries is offset by both the cost of goods sold at a transfer price level and additional costs borne only at the U.S. sales subsidiary level. I expect to adjust my calculation and opinion regarding Samsung's profits on accused devices should additional information become available.

151 My final calculation of the resulting infringer's profit damage amount is displayed on **Exhibits 17 and 17.1** where I have calculated Samsung's accused revenue and adjusted gross profit.

* * *

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[129] I am aware that Apple has sought documents and other materials through a motion As noted above, my work is limited by the material presently available and I would incorporate additional information after it is received

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Subject to Protective Order

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

APPLE INC.

v.

SAMSUNG ELECTRONICS CO., LTD et al.

Corrected Expert Report of Michael J. Wagner
April 20, 2012
Volume 1

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* * *

41. The 'D305 Patent claims "[t]he ornamental design for a graphical user interface for a display screen or portion thereof, as shown and described." [78] The patent includes two drawing sheets, which are substantially similar to the first drawing sheet, the figure of which is reproduced below. Note that one of these drawing sheets was filed in color.[79]

42. The other drawing sheet shows the front view of a second embodiment of the design.[82] Furthermore, "[t]he broken line showing of a display screen in both views forms no part of the claimed design."[83]

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[78] 78 U S. Design Patent No D604,305 S [2 12]

[79] 79 U S Design Patent No D604,305 S [2.12]

[82] 82 U S Design Patent No D604,305 S. [2 12]

[83] 83 U S Design Patent No. D604,305 S [2 12]

44. The 'D087 Patent claims "[t]he ornamental design of an electronic device, substantially as shown and described." [86]The patent includes twelve drawing sheets and 48 figures, which are similar to figures one through eight reproduced below.

45. The 'D087 Patent explains that "[n]one of the broken lines form a part of the claimed design."[91] The patent explains further that[92]

> The broken lines showing the remainder of the electronic device are directed to environment. The broken lines, within the claimed design, in embodiments 1, 2, and 4 that depict an elongated oval shape and the broken lines, within the claimed design, in embodiments 2, 3, and 6 that depict a circle shape are superimposed on a continuous surface and are for illustrative purposes only. The broken lines, within the claimed design, in embodiments 1, 3, and 5 that depict a large rectangular shape, indicate a non claimed shape below the continuous front surface and are for illustrative purposes only.

47. The 'D677 Patent claims "[t]he ornamental design of an electronic device, as shown and described."[95] The patent includes two drawing sheets and eight figures, all of which are reproduced below.

48. The 'D677 Patent notes that "[t]he claimed surface of the electronic device is illustrated with the

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[86] 86 U S Design Patent No. D593,087 S [2 13]

[91] 91 U S Design Patent No D593,087 S, p 3 [2 13]

[92] 92 U S Design Patent No D593,087 S, p. 3 [2 13]

[95] 95 U S. Design Patent No D618,677 S [2 14]

color designation for the color black."[100] For clarification, the 'D677 Patent states that "the article of manufacture to which the ornamental design has been applied is an electronic device, media player (e g , music, video and/or game player), media storage device, a personal digital assistant, a communication dev ice (e.g , cellular phone), a novelty item or toy."[101] Furthermore, "[t]he electronic device is not limited to the scale shown..."[102]

* * *

A. Disagreements with the opinions expressed by Terry L. Musika

87. With respect to Mr. Musika's valuation of the damages suffered by Apple related to Samsung's alleged infringement, I offer the following opinions.

1. Mr. Musika's analysis is a high-level analysis and is largely divorced from the specific intellectual property that is at issue in this lawsuit.

88. Mr. Musika's analysis is generally at a very high level and is not tied to the specific intellectual property at issue in this lawsuit. This is most evident in Mr Musika's discussion of the benefits provided by the Design IP. Mr. Musika consistently refers to "the importance of design in consumer demand" and the importance of design to Apple. [208] While I do not disagree that design is important to Apple and that consumers do care about what a product looks like, Mr.

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[100] 100 U S Design Patent No D618,677 S. [2 14]

[101] 101 U S Design Patent No D618,677 S [2.14]

[102] 102 U.S Design Patent No D618,677 S [2 14]

[208] Musika Report, pp 82-84. [2.2]

Musika's discussion is not properly tied to the value of the limited *specific* Design Patents, Trade Dress, and Trademarks at issue in this lawsuit.

89. It is conceptually wrong to assume that the limited number of design patents, trade dress and trademarks of Apple that is a small subset of all of Apple's design intellectual property contains 100% of the value of Apple's design intellectual property. It is also incorrect to assign the same value to this limited subset of Apple's design intellectual property, and assign the same royalty rate, whether one item of this bundle of intellectual property is used or all of it is used by Samsung.

a) Mr. Musika fails to provide evidence of demand for the specific design IP at issue.

90. Mr. Musika claims that he "identified and documented numerous examples of demand for each item of Apple Intellectual Property In Suit for which Apple is seeking a lost profit on Exhibits 24 and 25." [209] His Exhibit 24 contains numerous citations to documents that he claims "demonstrate the importance of design in consumer demand." [210] The citations in his Exhibit 24 are general citations to the concept that design is valued. For example, Mr. Musika's comment #18 on the Exhibit 24 reads, "The iPhone is a delight to the eye ."[211] Or, in his comment #53, Mr Musika quotes Samsung, "Overall, the iPhone 3GS was rated better than other devices in overall design ." [212] These

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[209] Musika Report, p 38 [2 2]

[210] Musika Report, p. 82, Exhibit 24 [2 2]

[211] Musika Report, p 82, Exhibit 24, Comment #18. [2 2]

[212] Musika Report, p 82, Exhibit 24, Comment #53 [2 2]

citations do not provide any evidence that consumers demand the *specific* teachings of Apple's design-related IP at issue in this lawsuit

In several instances, Mr. Musika just presents a picture of a device (such as an advertisement showing two fingers picking up the iPad 2 or a back of a phone with logo) in support of his conclusion.[213]

91 In addition, Mr Musika appears to ignore ample evidence presented in the documents cited in Exhibit 24 that there are more important factors than design that affect consumer demand for smartphones and tablets. For example, Mr. Musika states in his Exhibit 24, comment #6 that "[b]etween Q4 2010 and Q4 2011, 44-50% of those surveyed noted attractive appearance and design as a very important attribute in the iPhone purchase decision."[214] However, Mr. Musika does not mention that the importance of "attractive appearance and design" was consistently rated lower in comparison to the importance of several other features, including easy to use, service and support, trust Apple brand, quality of apps, battery life, good value for price paid, web capabilities, the ability to download and use apps, and multitasking.[215]

92. Similarly, in his comment #7, Mr. Musika points out that "32% of those surveyed in the U.S liked the physical appearance and design as a reason that swayed them to purchase iPhone over Android."

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[213] Musika Report, Exhibit 24, Comments #13, #14, and #29 [2 2]

[214] Musika Report, Exhibit 24, Comment #6 [2 2]

[215] Schedule 8.3 [1 2] Some of these features were not listed in every quarter, but each feature had a higher percentage of survey respondents rating it as "very important" to their purchase decision when the feature was included in the survey

[216] However, 41 percent and 34 percent of those surveyed in the U.S., respectively, named trust in Apple brand and a desire to easily transfer music, apps, video, contacts, etc., onto iPhone as reasons for buying iPhone after considering Android.[217]

93. In his comment #8, Mr. Musika states that "[t]he 7th top reason for buying an iPhone is for better appearance/design (37%); better appearance/design is listed 10th top reason for buying an Android-based smartphone (27%)." [218] However, trust in Apple brand (56%), latest technology (47%), touchscreen (45%), a large variety of apps (42%), ease of use (42%) and a desire to stay with current service provider (38%) were more frequently mentioned than better appearance and design as reasons for buying an iPhone. [219] Better appearance and design was the last out of 10 top reasons for purchasing an Android-based smartphone.[220]

94. According to Mr. Musika's comment #45, "Samsung describes "Design" as a main feature of the Galaxy S II in its internal presentation. [221] However, Design is just one of the Galaxy S II's features highlighted in the presentation. [222] Samsung also emphasizes the "ultra vivid and bright" display of the

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[216] Musika Report, Exhibit 24, Comment #7 [2.2]

[217] iPhone Owner Study, May 2011, APLNDC-Y0000025024-147 at '060 [3 16]

[218] Musika Report, Exhibit 24, Comment #8 [2.2]

[219] Smartphone Market Study US, January 2011, APLND C0001434059-154 at '143-144 [3 17]

[220] Smartphone Market Study US, January 2011, APLND C0001434059-154 at '144. [3 17]

[221] Musika Report, Exhibit 24, Comment #45. [2 2]

[222] Samsung Galaxy S II Presentation, SAMNDCA10775587-624 at '593 [3 19]

Galaxy S II, its "powerfully fast" performance and "rich and convenient" content. [223] In fact, in a section entitled "Main Features" of the Galaxy S II, Samsung dedicates only one slide to the description of the Galaxy S II's design, stating that it is "Slim and Light." [224] The other 10 slides of this section highlight the Super AMOLED Plus display, Dual Core Application Processor, More Powerful Battery, Ultrafast Download Speeds, Voice Solution and 4 Hubs capabilities of the Galaxy S II.[225]

(1) Apple's recognized design lead indicates that the design-related IP at issue is a small element of the "design" that is consistently referenced by Apple's experts.

95. Even after Samsung has allegedly incorporated into its products the design-related IP at issue in this lawsuit, Apple still retains a widely recognized design advantage over Samsung. This indicates that the importance of design referred to by Mr. Musika and other Apple experts has little to nothing to do with the specific design-related IP at issue.

96. There is ample evidence that Apple's iPhones and iPads are rated significantly higher in overall design than Samsung's smartphones and tablets, even after Samsung is accused of infringement of the design-related IP. In an August 2010 report presenting the findings of Strategy Analytics' User Evaluation

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[223] Samsung Galaxy S II Presentation, SAMNDCA10775587-624 at '593 [3 19]

[224] Samsung Galaxy S II Presentation, SAMNDCA10775587-624 at '599 [3 19]

[225] Samsung Galaxy S II Presentation, SAMNDCA10775587-624 at '595-'598, '600-'605. [3.19]

of the iPhone 4, Strategy Analytics concluded that participants considered the design of the iPhone 4 to be very appealing.[226] Strategy Analytics further detailed that "[p]articipants felt the glass casing of the device made it look very sleek and modern, and was an improvement on the plastic casing of the 3G and 3GS models."[227] Participants also liked the visual appearance of the stainless steel band around the edge of the device.[228] The iPhone 4 also received high ratings for all attributes related to the display, including maximum rating for display resolution.[229]

97. In 2011 Wireless Mobile Phone studies conducted by J.D. Power and Associates, Apple is ranked significantly above the industry average (at 95 percent confidence level) in smartphone physical design.[230] According to the studies, "Apple outperforms all other manufacturers in the Physical Design factor" and "sets the bar for the competition with regard to

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[226] Mobile Device User Evaluation Apple iPhone 4, Strategy Analytics, August 2010, SAMNDCA00252302-329 at '309 [13 6]

[227] Mobile Device User Evaluation Apple iPhone 4, Strategy Analytics, August 2010, SAMNDCA00252302-329 at '309. [13 6]

[228] Mobile Device User Evaluation Apple iPhone 4, Strategy Analytics, August 2010, SAMNDCA00252302-329 at '309 [13.6]

[229] Mobile Device User Evaluation Apple iPhone 4, Strategy Analytics, August 2010, SAMNDCA00252302-329 at '322 [13 6]

[230] 2011 U S Wireless Mobile Phone Study Results Presentation Volume2, J D Power and Associates, November 15, 2011, SAMNDCA00282033-088 at '064 [13 7] *See also* 2011 Wireless Traditional Mobile Phone Satisfaction Study, Pre-Release Presentation V1, J D Power and Associates, March, 2011, SAMNDCA10340243-265 at '259 and '261 [13 8] *See also* 2011 Wireless Smartphone Satisfaction Study, Management Report, J D Power and Associates, March, 2011, SAMNDCA10246338-445 at '372, '378, '382 [13 9]

styling and screen quality " [231] As shown in Figure 22 below, Apple leads in all physical design attributes, including the visual appeal of wireless phone, size of display screen, brightness of background display screen lighting, and weight and size of wireless phone [232]

Figure 22 Physical Design Attribute Ratings Compared to Average[233]

Physical Design Attribute Ratings Compared to Average

Physical Design Index	7.86			7.82				
Visual appeal of wireless phone	8.16	8.63	8.28	7.87	7.95	7.89	7.79	7.67
Size of display screen	7.93	8.37	8.16	7.32	7.90	8.24	7.34	7.34
Brightness of background display screen lighting	8.14	8.45	8.27	8.15	7.83	8.09	7.82	7.80
Weight of phone (including battery)	7.73	8.00	7.77	7.95	7.71	7.11	7.67	7.68
Size of wireless phone	7.75	8.01	7.88	7.80	7.67	7.43	7.57	7.55

[illegible]

98 CNET's iPhone 4 product review praises the "handset's striking design "[234]

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[231] 2011 Wireless Smartphone Satisfaction Study, Management Report, J D Power and Associates, March, 2011, SAMNDCA10246338-445 at '384 [13 9]

[232] 2011 Wireless Smartphone Satisfaction Study, Management Report, J D Power and Associates, March, 2011, SAMNDCA10246338-445 at '388 [13 9]

[233] 2011 Wireless Smartphone Satisfaction Study, Management Report, J D Power and Associates, March, 2011, SAMNDCA10246338-445 at '388 [13 9]

[234] iPhone 4 0 Quick Report & Analysis, June 28, 2010, SAMNDCA00024872-941 at '890 [4 1]

With iPhone 4, Apple again shows that it's a powerful player in the smartphone wars It won't be for everyone, and AT&T remains a sticking point, but the handset's striking design, loaded feature set, and satisfying performance make it the best iPhone yet

99 An iPhone 4S press release emphasizes that "iPhone 4S has the same beautifully thin glass and stainless steel design that millions of customers around the world love "[235]

100 In an iPad 2 press release, dated March 2, 2011, Apple features "an entirely new design [of the iPad 2] that is 33 percent thinner and up to 15 percent lighter than the original iPad ." Steve Jobs is quoted as saying, "While others have been scrambling to copy the first generation iPad, we're launching iPad 2, which moves the bar far ahead of the competition and will likely cause them to go back to the drawing boards yet again."[236]

101 The attractive design of Apple's iPad is also discussed in a September 25, 2011 New York Times article "Apple also has a lead in design that will be tough to surmount People want to own its products because they are so good-looking " [237] This article is

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[235] Apple Press Info Apple Launches iPhone 4S iOS 5 & iCloud, October 4 2011, <http //www apple com/pr/library/2011/10/04Apple-Launches-iPhone-4S-iOS-5-iCloud html> accessed on October 10, 2011 [3 23]

[236] 'Apple Launches iPad 2 Apple Inc Press Release, March 2, 2011, <http //www apple com/pr/library/2011/03/02Apple-Launches-iPad-2 html>, accessed on April 5, 2012 [3 24]

[237] David Streitfeld Amazon Has High Hopes for its iPad Competitor N Y Times, September 25 2011 <http //www nytimes com/2011/09/26/technology/anticipated-amazon-tablet-to-take-aim-at-apple-ipad html?pagewanted=all>, accessed on April 6, 2012 [3 25]

cited as evidence that "attractive appearance and design is a similarly important driver of iPad purchasing decisions" by Sanjay Sood, one of Apple's experts, who addresses the importance of design. [238]Apparently, Mr. Sood did not realize that this article was written long after Samsung is accused of infringing the design-related IP at issue in this lawsuit.

102. An Argus Insights white paper on the iPad 2 launch draws the same conclusion, "the iPad family will continue to shine, and Apple will keep the lead on style and design."[239] Recently, in a March 12, 2012 interview with the London Evening Standard, Jonathan Ive, Apple's senior vice president of industrial design, explained Apple's goal as "to design and make better products."[240] "If we can't make something that is better, we won't do it," he said. [241] Apple also highlights the advanced design of its new iPad on its website, stating that "with its advanced

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[238] Expert Report of Sanjay Sood, March 22, 2012, p 24 [4.7] (Hereafter, "Sood Report")

[239]Argus Insights White Paper. iPad 2 Launch Report - Mapping the Customer Experience Landscape for the Tablet Market, April 5, 2011, SAMNDCA00237364-371 at '370 [4 2]

[240] Sir Jonathan Ive The iMan cometh, Mark Prigg meets Sir Jonathan Ive, the British man behind the design of Apple's iconic products, London Evening Standard, March 12, 2012, <http //www thisislondon.co uk/lifestyle/london-life/sir-jonathan-ive-the-iman-cometh-7562170.html>, accessed on April 6, 2012. [4 3]

[241] Sir Jonathan Ive: The iMan cometh, Mark Prigg meets Sir Jonathan Ive, the British man behind the design of Apple's iconic products, London Evening Standard, March 14, 2012, <http //www thisislondon co.uk/lifestyle/london-life/sir-jonathan-ive-the-iman-cometh-7562170 html>, accessed on April 6, 2012. [4 3]

design, breakthrough technology, and amazing built-in apps, iPad changes the way you work."[242]

103. If Mr. Musika's analysis is correct, one would not expect there to be any design advantage to Apple over Samsung because Samsung has used all of the value of Apple's designs according to his approach.

(2) The use of smartphone cases minimizes the importance of the design-related IP

104. The majority of iPhone owners prefer to protect their iPhones from any type of damage and use an iPhone case to reduce this risk. An iPhone case is the most used iPhone accessory in the U.S. According to the FY11-Q2 and FY11-Q3 iPhone Buyer Surveys, 71 percent of iPhone owners regularly use cases.[243]

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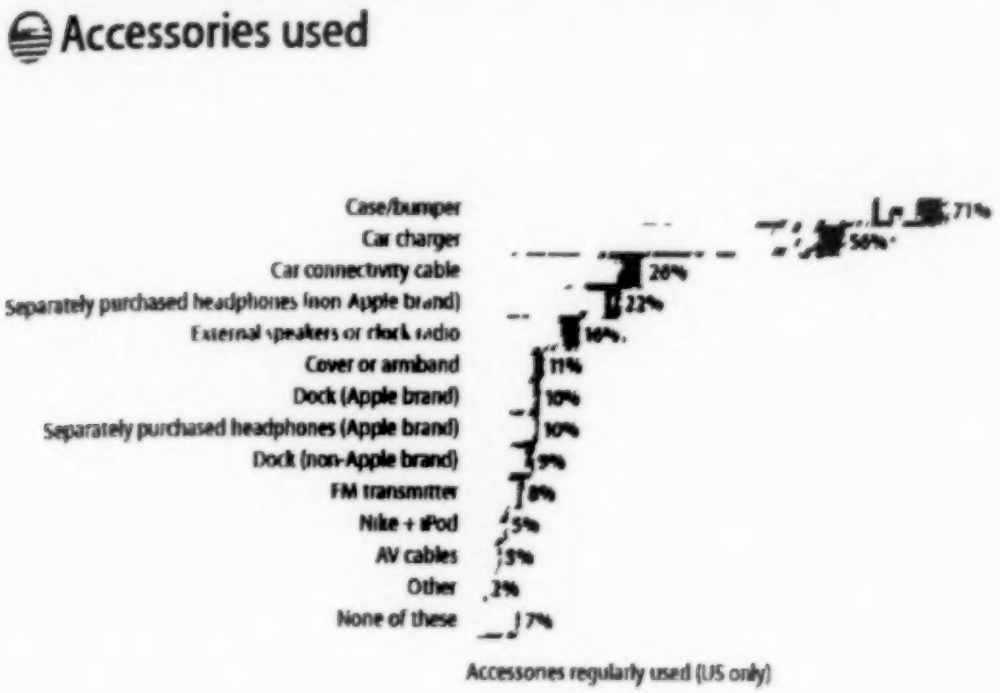
[242] Apple - The new iPad - It's brilliant from the outside in, <http://www.apple.com/ipad/>, accessed on April 6, 2012. [4.4]

[243] iPhone Buyer Survey, Apple Market Research & Analysis, FY11-Q2, APLNDC0000036266-348 at '345. [7.1] *See also* iPhone Buyer Survey, Apple Market Research & Analysis, FY11-Q3, APLNDC0000036172-265 at '262. [7.2]

Figure 23: Accessories Regularly Used[244]



105 Any protective iPhone cover would diminish the importance of the iPhone design because certain design elements related to the shape and appearance of the iPhone become covered in an iPhone case The fact that 71 percent of iPhone owners prefer to cover their iPhones in cases is evidence of the lack of value these iPhone owners place on at least some of the specific design elements at issue in this lawsuit

* * *

120 I address my disagreements with Mr. Musika's analysis of the first three *Panduit* factors in this

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[244] iPhone Buyer Survey, Apple Market Research & Analysis, FY11-Q2, APLNDC0000036266-348 at '345 [7 1] *See also* iPhone Buyer Survey, Apple Market Research & Analysis, FY11-Q3, APLNDC0000036172-265 at '262 [7 2]

section, and my disagreements with Mr Musika's calculation of the amount of lost profits in the next section

a) Mr. Musika has not provided sufficient evidence of demand for the intellectual property at issue

121 To determine whether and to what extent Apple lost sales, an analysis of the demand for the patented feature is the critical and economically relevant inquiry I understand that a 2009 opinion by the Federal Circuit in *Depuy Spine et al v Medtronic Sofam or Danek, Inc et al* indicates that the first Panduit factor is concerned only with the patented product and the focus on the patented feature goes to the availability of acceptable non-infringing substitutes under the second Panduit factor [271] However, I address the importance of the patented feature in this Panduit factor because if there is no demand for the feature, it can always be removed

122 Mr Musika calculates lost profits for the '381, '607, '915, and '163 Patents, the Electronic Device Design Patents, and all asserted trade dress [272] As I discuss in detail above, Mr Musika's evidence of demand for these intellectual property elements is not tied to the specific intellectual property at issue Therefore, Mr Musika has not satisfied the burden of

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[270] *Panduit Corp v Stahlin Bros Fibre Works, Inc*, 575 F 2d 1152, 1156, 1978 U S App LEXIS 11500, 197 U S P Q (BNA) 726 U S Court of Appeals for the Sixth Circuit, April 25, 1978, p 2 [12 1]

[271] *DePuy Spine, Inc v Medtronic Sofamor Danek, Inc*, CAFC, 567 F 3d 1314, June 1, 2009, pp 11-12, 21-22 [14 4]

[272] Musika Report, Exhibit 15 [2 2]

providing evidence of demand related to the patented feature

123 Further, Mr Musika has not provided any evidence that consumers would switch to a different smartphone brand or model based on the presence or absence of the accused functionalities or design Apple submitted two different expert reports that discuss the importance of design to Apple's products [273] and a third expert conducted two surveys that attempted "to determine the price premium, if any, that Samsung consumers are willing to pay for the features associated with the patents at issue " [274] None of these experts performed any study to determine whether any customers would switch their smartphone purchase decision if the accused functionality was removed, let alone how many would have switched

124 In his surveys, Mr Hauser uses conjoint analysis to provide an estimate for the value of certain functionalities [275] I understand that a properly constructed conjoint analysis can be used to estimate the effect on market share based on the presence and absence of specific functionalities, but apparently Apple did not ask for Mr Hauser to perform this type of analysis

(1) Limited Value to Functionalities Enabled by the Patents-in-Suit

125 I have reviewed iPhone / iPad buyer surveys commissioned by Apple, Samsung consumer surveys and focus groups, and third-party smartphone studies

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[273] Sood Report, p 2 [4 7] *See also* Expert Report of Russell S Winer, March 22, 2012, p 2 [4 6]

[274] Hauser Report, p 6 [2 33]

[275] Hauser Report, p 8 [2 33]

I found that the most important smartphone / iPhone /iPad functionalities that drive customer purchase decisions are different from those enabled by the Patents-in-Suit I also found that the most wanted smartphone features are different from those enabled by the Patents-in-Suit In addition, Apple and Samsung have not made use of the technology enabled by the Patents-in-Suit in their marketing and advertising materials

(a) Smartphone / iPhone / iPad / Tablet Consumers' Purchasing Factors

126 Apple considers customer preferences and consumer feedback and conducts monthly surveys of iPhone buyers [276] In its July and November 2007 reports, Apple concluded that "[t]op features leading to an iPhone purchase include advanced capabilities in a well designed convergent device" [277] The top reason for purchase of an iPhone 3G was "the need for a combination music, email and Web device" [278] "iPhone buyers want[ed] an easy to use integrated device with Web capabilities," Apple noted in its

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[276] iPhone Buyer Survey, APLNDC0001218489-608 at '491 [5 36]

[277] iPhone Early Buyer Wave 1 Final Report, Apple Market Research & Analysis, July 2007, APLNDC-Y0000029092-135 at 095 [3 18] *See also* iPhone Buyer Wave 2 Final Report November 2007, Apple Market Research & Analysis, November 2007, APLNDC-Y0000029136-204 at '139 [5 37]

[278] iPhone 3G Buyer Survey, Apple Market Research & Analysis November 14, 2008, APLNDC-Y0000027600-675 at 608 [5 38] *See also* iPhone 3G Buyer Survey, Apple Market Research & Analysis FY09-Q1, APLNDC-Y0000026173-256 at '182 [6 1]

FY2009-Q1 iPhone 3G Buyer Survey [279] Apple reached the same conclusion in later iPhone buyer studies [280]

> By far, iPhone buyers want a mobile phone that combines email, Web, music, and downloadable games and other applications [281]
>
> The desire for a combination device that included phone, music, email, Web, and games and apps was the main purchase motivator for a large segment of iPhone buyers [282]

127 In a February 2010 iPhone Owner Study, Apple stated that "Internet capabilities and being a combination device (phone, Internet, and iPod) were the most important features or attributes at time of purchase ."[283] According to surveys fielded during FY2010-Q3, a large proportion of iPhone buyers

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[279] iPhone 3G Buyer Survey, Apple Market Research & Analysis, FY09-Q1, APLNDC-Y0000026173-256 at '181 [6 1]

[280] iPhone 3G Buyer Survey, Apple Market Research & Analysis, FY09-Q2, APLNDC-Y0000026257-347 at '266 [6 2] *See also* iPhone Buyer Survey, Apple Market Research & Analysis, FY09—Q3, APLNDC-Y0000026348-460 at '352 [6 3] *See also* iPhone Buyer Survey, Apple Market Research & Analysis, FY09-Q4, APLNDC-Y0000026461-573 at '473-478 [6 4]

[281] iPhone 3G Buyer Survey, FY09-Q2, Apple Market Research & Analysis, APLNDC-Y0000026257-347 at '261 [6 2]

[282] iPhone Buyer Survey, FY09—Q3, Apple Market Research & Analysis, APLNDC-Y0000026348-460 at '352 [6 3] *See also* iPhone Buyer Survey, FY10-Q1, Apple Market Research & Analysis, APLNDC-Y0000026574-868 at '578 [6 5] *See also* iPhone Buyer Survey, FY10-Q2, Apple Market Research & Analysis, APLNDC-Y0000026687-807 at '691 [6 6]

[283] iPhone Owner Study, Apple Market Research & Analysis, February 2010, APLNDC-Y0000024334-548 at '339 and '353 [6 7]

purchased the iPhone because they wanted a phone with a combination of features, including music, email, Web, downloaded games and other applications [284] Apple noted that "[t]he most important features in the iPhone purchase decisions are Web capabilities, ease of use and a combination device (phone, iPod, internet, etc)"[285] In FY2010-Q4, FY2011-Q1, and FY2011-Q2 surveys, Apple found that web capabilities, ease of use, and the ability to download and use applications were rated the highest in importance by iPhone buyers in their purchase decisions [286] Similarly, according to surveys fielded during FY2011-Q3, the main reason for purchasing the iPhone in the US was a buyer's desire to have a phone that combines music, email, Web, downloaded games and other applications [287] In a May 2011 iPhone Owner Survey, ability to access email and the web, ease of use, and sound quality of phone calls were listed as the most important iPhone

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[284] iPhone Buyer Survey, APLNDC0001218489-608 at '493, '497-505 [5 36] *See also* iPhone Buyer Survey, Apple Market Research & Analysis, FY10-Q3, APLNDC-Y0000027136-255 at '140, '144-152 [6 8]

[285] iPhone Buyer Survey, APLNDC0001218489-608 at '493 '499-498 [5 36] *See also* iPhone Buyer Survey, Apple Market Research & Analysis, FY10-Q3, APLNDC-Y0000027136-255 at '140 [6 8]

[286] iPhone Buyer Survey, Apple Market Research & Analysis, FY10-Q4, APLNDC-Y0000027256-340 at '261, '266-'272 [3 14] *See also* iPhone Buyer Survey, Apple Market Research & Analysis, FY11-Q2, APLNDC0000036266-348 at '274, '282-286 [7 1] *See also* iPhone Buyer Survey, Apple Market Research & Analysis, FY11-Q1, APLNDC-Y0000027341-422 at '356-'359 [3 15]

[287] iPhone Buyer Survey, Apple Market Research & Analysis, FY11-Q3, APLNDC0000036172-265 at 183 [7 2]

features that influenced consumers' purchase decisions [288] In a November 2011 survey, over one-third of respondents stated that they purchased an iPhone 4S for such specific features as Siri, 8 [63] megapixel camera with improved optics, and dual-core A5 chip [289] The most important features and attributes in purchase decisions also included ease of use, battery life and faster download speeds [290] Overall, "screen quality, ability to access email and the Web, and combining features and functions are the most important attributes in the smartphone purchase decision," according to a January 2011 US Smartphone Market study commissioned by Apple [291]

128 Apple also conducts monthly iPad buyer studies [292] In an August 2010 iPad Buyer Survey, Apple noted that the desire to own an iPad was based on such product features as being portable, lightweight, Wi-Fi capable, and easy to use [293] "Web browsing, email, ebooks, and apps from the App Store

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[288] iPhone Owner Study, May 2011, Apple Market Research & Analysis, May 2011, APLNDC-Y0000025024-147 at '063 [3 16]

[289] iPhone 4S Early Buyer Survey, Apple Market Research & Analysis, November 2011, APLNDC-X0000006506-547 at '511, '531 [7 3]

[290] iPhone 4S Early Buyer Survey, Apple Market Research & Analysis, November 2011, APLNDC-X0000006506-547 at '511, '532 [7 3]

[291] Smartphone Market Study US, Apple Market Research & Analysis, January 2011, APLNDC000143059-154 at '063, '083-'085 [3 17]

[292] iPad Tracking Study, Apple Market Research & Analysis, FY11-Q2, APLNDC0000036349-570 at '351 [7 4]

[293] iPad Buyer Survey, Apple Market Research & Analysis, August 2010, APLNDC-Y0000023361-427 at '384, '386-'387 [3 20]

were the main activities that made owners want an iPad."[294] In July 2010, FY10-Q4, FY11-Q1 iPad Tracking studies, Apple pointed out that "portability, Wi-Fi, and entertainment were key features in prompting [iPad] purchase in the US."[295] In FY2011-Q2 and FY2011-Q3 studies, Apple analyzed purchase decision making and concluded that "[b]rowsing the web, checking personal email, using apps from the App Store, and reading eBooks were the top planned activities that made owners want an iPad."[296] In addition, "the iPad's portability, Wi-Fi capabilities, and entertainment potential continued to have the greatest appeal to owners."[297]

129 Samsung also conducts focus groups and consumer preference studies According to its 2010 Focus Group Interview, "iPhone owners place the most importance on reputation, ability to download application and web browsing capabilities during the

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[294] iPad Buyer Survey, Apple Market Research & Analysis, August 2010, APLNDC-Y0000023361-427 at '388-'389 [3 20]

[295] iPad Tracking Study, July 2010 Report, Apple Market Research & Analysis, September 2010, APLNDC-Y0000023428-578 at '490 [7 5] *See also* iPad Tracking Study, FY10-Q4 Report, Apple Market Research & Analysis, October 2010, APLNDC-Y0000023579-729 at '641 [7 6] *See also* iPad Tracking Study, FY11-Q1 Report, Apple Market Research & Analysis, February 2011, APLNDC-Y0000023730-907 at '816 [7 7]

[296] iPad Tracking Study, FY11—Q2, Apple Market Research & Analysis, May 2011, APLNDC0000036349 570 at '451 [7 4] *See also* iPad Tracking Study, FY11—Q3 Report, Apple Market Research & Analysis, August 2011, APLNDC-Y0000024130-333 at '136 [8 1]

[297] iPad Tracking Study, Apple Market Research & Analysis, FY11 — Q2, APLNDC0000036349-570 at '430 [7 4] *See also* iPad Tracking Study, FY11—Q3 Report, Apple Market Research & Analysis, August 2011, APLNDC-Y0000024130-333 at '136 [8 1]

purchasing process, design and form factor are also important to these consumers " [298] "Android owners place the most importance on phone's uniqueness and cool factor as well as operating system during the purchasing process, design and form are also somewhat important to these consumers.' according to a Focus Group Interview report "[299] As reported in an August 4, 2010 Samsung study entitled "Understanding the iPad Market," iPad owners named portability, iTunes compatibility and screen size of the iPad as main factors that affected their purchase decisions [300]

130 Third party observers also noted a range of reasons for purchasing a smartphone A survey by independent app store GetJar pointed out that embedded content is an increasingly important factor that influences consumers' decisions to buy a smartphone [301] GetJar stated that embedded content is more important in purchase decisions than price, design and touchscreen capability [302]

131 ChangeWave Research surveyed 1,212 consumers who had purchased a smartphone within the six months prior to November 2, 2010 to explain

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[298] Users Mobiles America 2010, April 15, 2010, SAMNDCA00221819-877 at '851 [8 2]

[299] Users Mobiles America 2010, April 15, 2010, SAMNDCA00221819-877 at '851 [8 2]

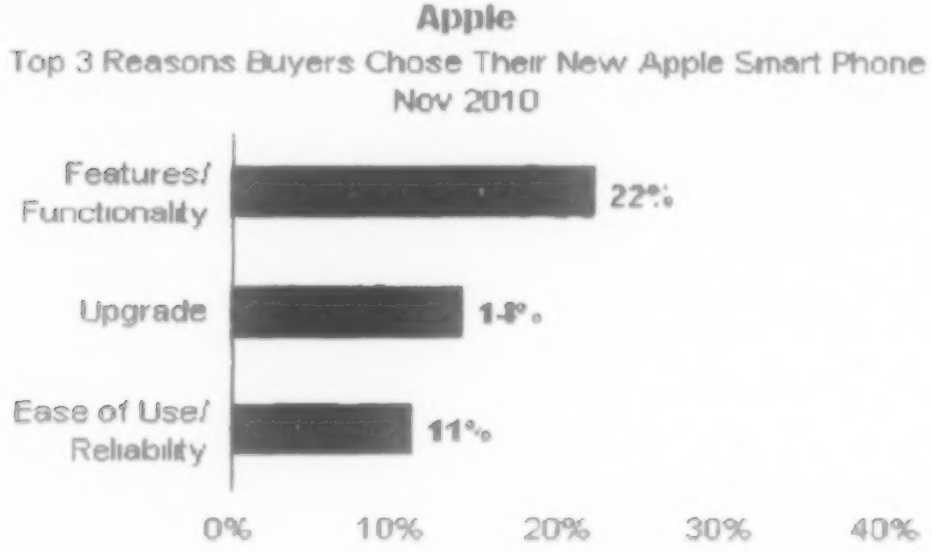
[300] Understanding the iPad Market, Samsung, August 4, 2010, SAMNDCA00234369-405 at '382 [8 3]

[301] Design for Smartphone UX, Samsung Design America (SDA), September 6, 2009, SAMNDCA00204410-494 at '486 [8 4]

[302] Design for Smartphone UX, Samsung Design America (SDA), September 6, 2009, SAMNDCA00204410-494 at '486 [8 4]

why they chose their particular model [303] iPhone owners named Features/Functionality, Upgrade and Ease of Use/Reliability as the top three reasons why they purchased their new Apple smartphone [304] Features/Functionality, Price/Deals and Android OS were ranked as the top three reasons why buyers chose their new Samsung smartphone [305]

Figure 24: Reasons for Choosing a Smartphone[306]

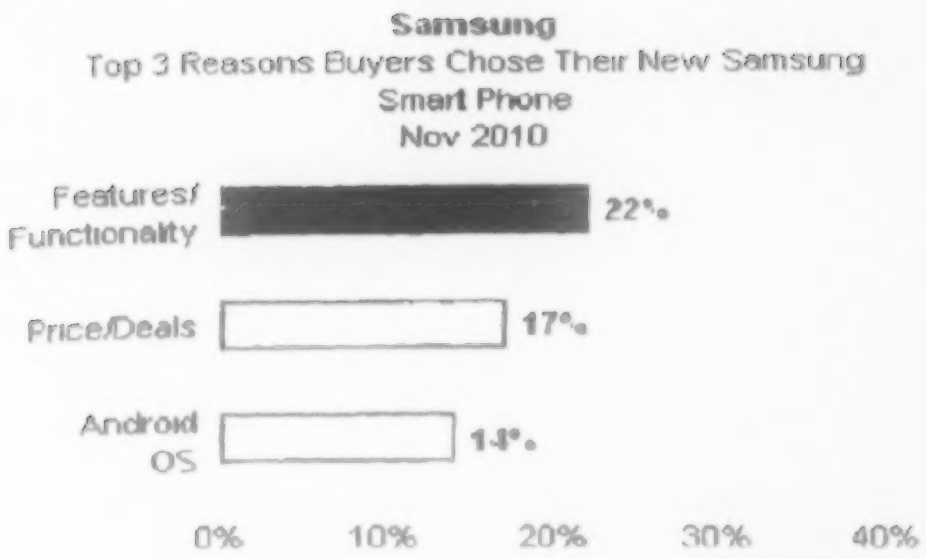


[303] ChangeWave Research Consumer New Smart Phone Owners Survey, November 4, 2010, SAMNDCA00235395-419 at '395, '398 [8 6]

[304] ChangeWave Research Consumer New Smart Phone Owners Survey, November 4, 2010, SAMNDCA00235395-419 at '399 [8 6]

[305] ChangeWave Research Consumer New Smart Phone Owners Survey, November 4, 2010, SAMNDCA00235395-419 at '399 [8 6]

[306] ChangeWave Research Consumer New Smart Phone Owners Survey, November 4, 2010, SAMNDCA00235395-419 at '399 [8 6]



132 In a January 2011 Smartphone Market Study commissioned by Apple, screen quality and size, email and web, combining features/functions, and the OS were named as the most important features and attributes in the smartphone purchase decision [307] An August 2011 "Smartphone Purchase Influencers at Retail" study highlights the importance of screen quality, ease of use, and value for price paid in smartphone purchase decisions [308]

133 According to a CEA Webinar entitled "State of Tablet Market," portability was the key reason for tablet purchase [309] Specifically, size, Android OS, and Flash player capabilities were named as top drivers for

[307] Smartphone Market Study — US, Apple Market Research & Analysis, January 2011, APLNDC0001434059-154 at '083 [3 17]

[308] Smartphone Purchase Influences at Retail, Apple Market Research & Analysis, August 29, 2011, APLNDC0001793637-702 at '657 [13 12]

[309] CEA Webinar "State of Tablet Market," Key Slides & Summary, May 5, 2011, SAMNDCA00237209-223 at '215 [8 7]

purchasing the Galaxy Tab.[310] Resolve Market Research conducted a study on the impact of the iPad on other media and entertainment devices.[311] The results of the study indicated that being "an entertaining and cool device" was the number one reason to own the iPad.[312] A YUDU Media report also noted that "entertainment (56%)," "cool factor (42%)," "convenience (40%)" and "Apple brand (28%)" were the top reasons for wanting the iPad.[313] Participants of a User Performance and Satisfaction study conducted by Strategy Analytics rated "Ease of Use" as the most important feature when considering purchasing a tablet device.[314] "Portability" was the second most important feature, followed by "Display Quality" and "Display Size."[315]

134 I have, however, noticed that in a January 2009 Global Mobile Phone Market study, a touch-screen capability of iPhone was ranked as the second

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[310] Post Launch Consumer Insights Summary, March 2011, SAMNDCA00027737-770 at '768 [8 8]

[311] The Apple iPad Trends and Statistics, YUDU Media, SAMNDCA00184496-514 at '498 [13 10]

[312] The Apple iPad Trends and Statistics, YUDU Media, SAMNDCA00184496-514 at '498 [13 10]

[313] The Apple iPad Trends and Statistics, YUDU Media, SAMNDCA00184496-514 at '499 [13 10]

[314] Tablet Device Evaluation, August 2, 2010, User Experience & Strategic Marketing, Samsung Telecommunications of America, Strategy Analytics, SAMNDCA00250930-988 at '974 [13 11]

[315] Tablet Device Evaluation, August 2, 2010, User Experience & Strategic Marketing, Samsung Telecommunications of America, Strategy Analytics, SAMNDCA00250930-988 at '974 [13 11]

most important factor in iPhone consideration [316] Forty-nine percent of US respondents placed a greater importance on this functionality of iPhone [317] At the same time, 18 percent of respondents did not consider purchasing an iPhone because they did not want a smartphone with a touchscreen [318] The NPD group also pointed out in its February 2011 study that "[a]s more and more devices offer touch screen interface, the appeal of touch screens as an interest driver for tablets seems to have waned over the last year, but the ability to use tablets without a desktop surface and the slim design seems to be gaining importance in attracting consumers to these devices "[319]

135 According to a Q4 2010 ComTech report, only one percent of iPhone owners purchased iPhone because of its design and color [320] In a Q1 2011 ComTech report, two percent of respondents listed design and color as the reason for ownership [321]

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[316] Global Mobile Phone Market Study, Apple Market Research & Analysis, January 2009 (Fielded November 2008), APLNDC0001256422-504 at '487 [8 9]

[317] Global Mobile Phone Market Study, Apple Market Research & Analysis, January 2009 (Fielded November 2008), APLNDC0001256422-504 at '487 [8 9]

[318] Global Mobile Phone Market Study, Apple Market Research & Analysis, January 2009 (Fielded November 2008), APLNDC0001256422-504 at '485 [8 9]

[319] The NPD Group Apple iPad Owner Study II An Updated Look Into Tablet Awareness Ownership and Usage, February 2011, APL-ITC796-0000502479-588 at '500 [9 1]

[320] Deposition of Jared Gosler, February 22, 2012, p 112 [8 10] *See also* ComTech United States Report Q410, Apple Market Research & Analysis, February 11, 2011, APLNDC00010809-809 54 at '809 23 [8 11]

[321] Deposition of Gregory Joswiak, Volume II, February 24, 2012, p 422 [9 3] *See also* ComTech United States - Report Q111,

Similarly, in an Android Market Overview study commissioned by Apple, only one percent of respondents chose the iPhone for the reason of design and color.[322]

136 It is also my understanding that the smartphone choice is frequently defined by the service provider [323] A January 2011 Smartphone market study suggests that smartphone buyers are likely to limit their smartphone choices to their current service provider [324] Mr. Joswiak also agreed that it is a general rule that "consumers are more likely to stick with their carrier provider than they are to switch "[325]

(b) Smartphone and Tablet Desired Features

137 "Today's smartphone buyers are more ma instream adopters of technology" that "have simple needs," according to an Apple internal survey [326]

Apple Market Research & Analysis, May 6, 2011, APLNDC0002831037-088 at '058 [4 10]

[322] Deposition of Gregory Joswiak, Volume II, February 24, 2012, pp 419-420 [9 3] *See also* Android Market Overview, Apple Market Research & Analysis, CY10-Q4, APLNDC00004618-736 at '646 [11 23]

[323] Deposition of Gregory Joswiak, Volume II, February 24, 2012, p 386 [9 3]

[324] Deposition of Gregory Joswiak, Volume II, February 24, 2012, p 384 [9 3] *See also* Smartphone Market Study US, Apple Market Research & Analysis, January 2011, APLNDC0001434059-154 at '083 [3 17]

[325] Deposition of Gregory Joswiak, Volume II, February 24, 2012, pp 384-385, 440 [9 3] *See also* Deposition of Gregory Joswiak, Volume I, February 23, 2012, p 60 [9 2]

[326] Point-of-Sale Influence on Smartphone Buyers, July 2011, Apple Market Research & Analysis, July 2011, APLNDC-Y0000025232-304 at '240, '242 [9 5]

Apple finds that fast internet access is a "key need" of smartphone buyers, while other needs include a "good" camera, email, some basic Apps, speed and attractive design [327] In a January 2009 Global Mobile Phone Market Study commissioned by Apple, camera, email and calendar were named as three top capabilities wanted by US smartphone buyers on their next phone.[328] A Consumer Inside Framework study conducted between June and July 2010 points out that consumers desire a mobile device with reliable performance (such as memory, processor and battery) and network service, multitasking, most up to date technology (3D, video, photo), and compatibility across devices and services.[329]

138 Business users rated Ease of Operation as the most important feature of the smartphone, according to J D Power and Associates [330] Other smartphone features that are important to users include Operating System, Physical Design, Handset Features and Battery Life [331] In particular, customers

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[327] Deposition of Gregory Joswiak, Volume II, February 24, 2012, p 366 [9 3] *See also* Point-of-Sale Influence on Smartphone Buyers, July 2011, Apple Market Research & Analysis, July 2011, APLNDC-Y0000025232-304 at '243 [9 5]

[328] Global Mobile Phone Market Study - 12 Country Omnibus Study, Apple Market Research & Analysis, January 2009, APLNDC0001256422-504 at '480 [8 9]

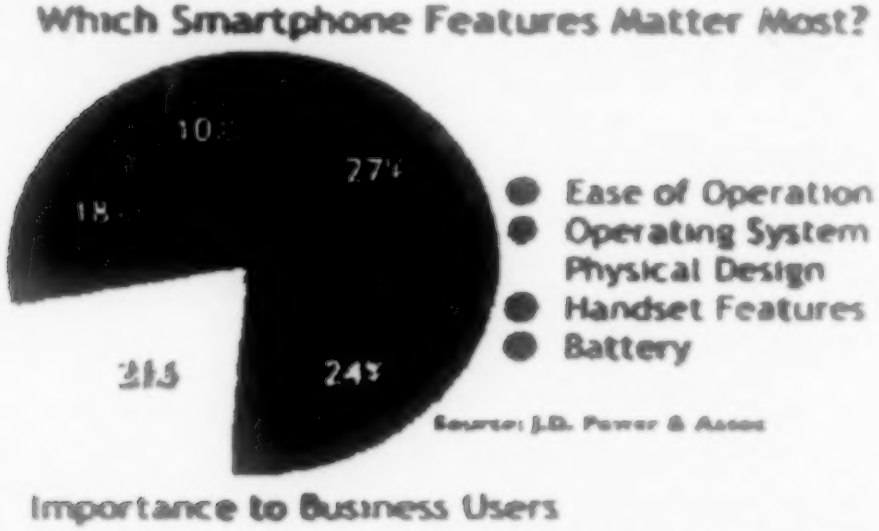
[329] CIF US Results Report Final, July 23, 2010, Iconmobile Group, SAMNDCA00225505-611 at '507, '531, '549, '561, 576 [9 6]

[330] 2009 Mobile UX Forecast M T O C , Samsung Electronics Co , LTD, November 10, 2008, SAMNDCA00214969-5201 at '5083 [8 5]

[331] 2009 Mobile UX Forecast M T O C , Samsung Electronics Co , LTD, November 10, 2008, SAMNDCA00214969-5201 at '5183 [8 5]

are more reluctant to let the battery on their phone run out than they would be on other devices, since this would leave them with no form of communication [332]

Figure 25: Smartphone Features Important to Business Uses[333]



139 Similarly, a 2010 comScore study found that Ease of Use and Length of Battery Life are most wanted smartphone features [334] New smartphone owners [335] also ranked Applications, Ease of Use and

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[332] Top Trends for the Next Year and Beyond, System Concepts, 2009 Mobile UX Forecast SAMNDCA00214739-745 at '741 [9 4]

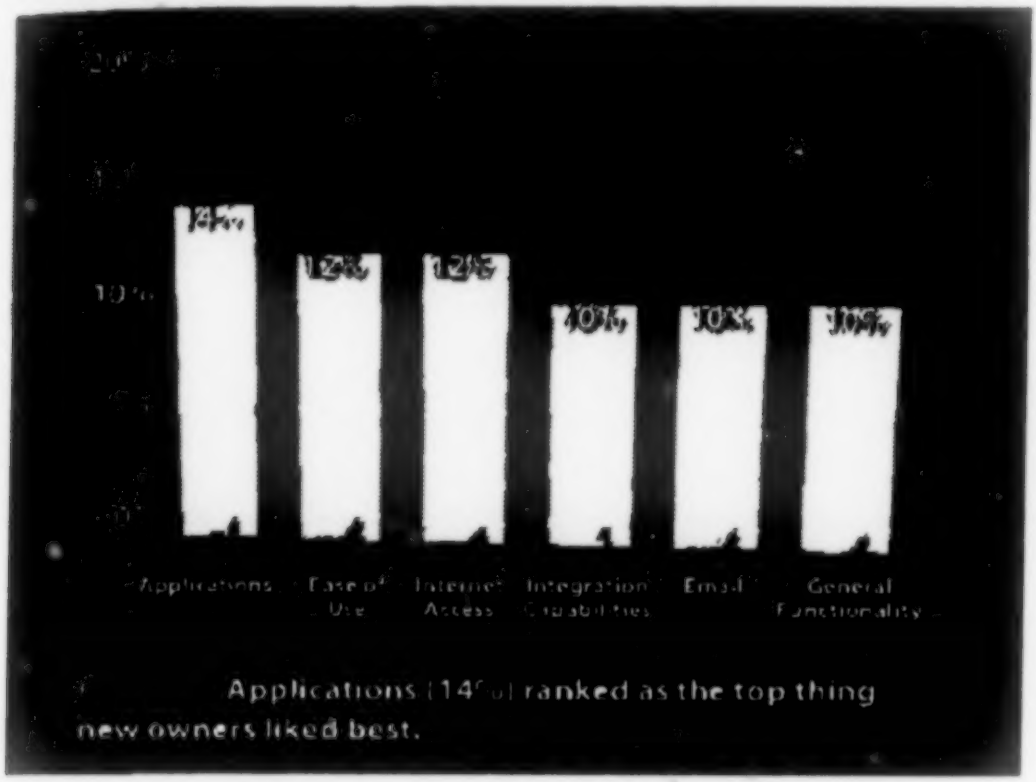
[333] 2009 Mobile UX Forecast M T O C , Samsung Electronics Co , LTD, November 10, 2008, SAMNDCA00214969-5201 at '5183 [8 5]

[334] comScore Using Consumer Insights to Cover Opportunities in Next Generation Mobile Devices, Donovan Mark, CES 2010, SAMNDCA00230720-761 at '756 [9 7]

[335] New smartphone owners are defined as customers that purchased a smartphone within 6 months prior to May 2010, Samsung Lovemark Mobile & Web Research, June 23, 2010, SAMNDCA00207695-765 at 732 [9 8]

Internet Access as the most loved features of a smartphone [336]

Figure 2 6: Most Loved Smartphone Features, May 2010[337]



140 In November 2010, ChangeWave Research queried smartphone buyers on the specific feature they liked best about their smartphones [338] Ease of

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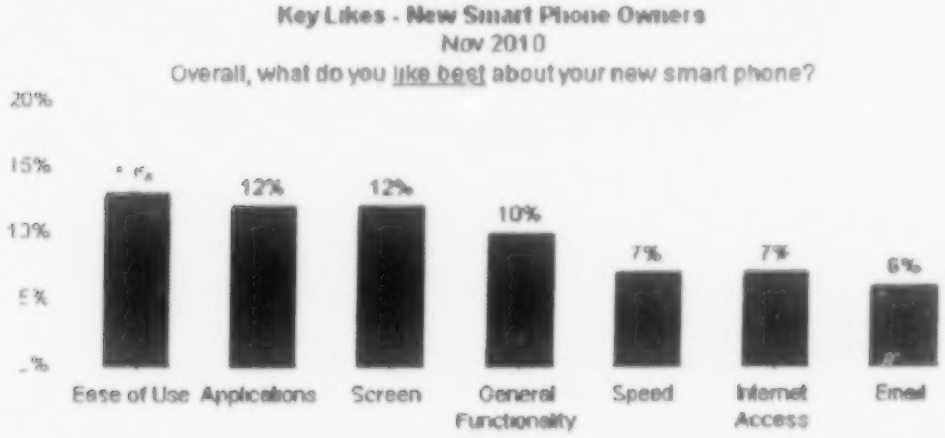
[336] New smartphone owners are defined as customers that purchased a smartphone within 6 months prior to May 2010 Samsung Lovemark Mobile & Web Research, June 23, 2010, SAMNDCA00207695-765 at '736 [9 8]

[337] New smartphone owners are defined as customers that purchased a smartphone within 6 months prior to May 2010, Samsung Lovemark Mobile & Web Research, June 23, 2010, SAMNDCA00207695-765 at '736 [9 8]

[338] ChangeWave Research Consumer New Smart Phone Owners Survey, November 4, 2010, SAMNDCA00235395-419 at '397 [8 6]

Use was the top thing new owners liked most about their smartphones, followed by Applications and Screen [339]

Figure 27: Best Feature of a Smartphone[340]



141 Consumers increasingly value handsets that can perform more complicated processes [341] According to ABI Research, a mobile handset has become an extension of the user's home computer [342] For example, the App store can be accessed from iTunes from a Mac/PC, an iPod and an iPhone According to System Concepts, iTunes has played a key role in the

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[339] ChangeWave Research Consumer New Smart Phone Owners Survey, November 4, 2010, SAMNDCA00235395-419 at '397 [8 6]

[340] ChangeWave Research Consumer New Smart Phone Owners Survey, November 4, 2010, SAMNDCA00235395-419 at '397 [8 6]

[341] 2009 Mobile LIX Forecast M T O C , Samsung Electronics Co , LTD, November 10, 2008, SAMNDCA00214969-5201 at '5063 [8 5]

[342] 2009 Mobile LIX Forecast M T O C , Samsung Electronics Co , LTD, November 10, 2008, SAMNDCA00214969-5201 at '5063 [8 5]

success of the iPhone [343] According to the study, iTunes has made the iPhone familiar and easy to use [344] According to a Smartphone Market Opportunity Study conducted by Ipsos Marketing, larger screen, multitasking, and portability are named as the most preferred features of a smartphone [345]

142 Smartphone users also utilize faster speeds to use more services, such as video calls, web, streaming, VoIP, etc [346] System Concepts predicts that 4G services may become standard within the next few years [347] Smartphone customers also expect Wi-Fi as a standard capability of a smartphone [348]

143 According to a 2010 Focus Group Interview conducted by Samsung, smartphone users consider Web Browsers to be critical features because they provide a sense of security and instantaneous access to the world [349] The GPS feature is extremely

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[343] Top Trends for the Next Year and Beyond, System Concepts, 2009 Mobile LIX Forecast, SAMNDCA00214739-745 at '742 [9 4]

[344] Top Trends for the Next Year and Beyond, System Concepts, 2009 Mobile LIX Forecast, SAMNDCA00214739-745 at '742 [9 4]

[345] Smartphone Market Opportunity Study Final Report, April 2011, Prepared for Samsung Electronics, SAMNDCA00226589-816 at '697 [9 9]

[346] Top Trends for the Next Year and Beyond, System Concepts, 2009 Mobile LIX Forecast, SAMNDCA00214739-745 at '745 [9 4]

[347] Top Trends for the Next Year and Beyond, System Concepts, 2009 Mobile UX Forecast, SAMNDCA00214739-745 at '745 [9 4]

[348] Top Trends for the Next Year and Beyond, System Concepts, 2009 Mobile UX Forecast, SAMNDCA00214739-745 at '745 [9 4]

[349] Users Mobiles America 2010, April 15, 2010, SAMNDCA00221819-877 at 827-828, '840 [8 2]

important to smartphone users in the car [350] Taking Pictures is considered to be of high importance to users who like to take pictures on the go and send them to their family and friends instantaneously [351]

144 A study by Kelsey Group also shows an increase in mobile search activities such as downloading or looking at maps/directions, searching the internet for products and services, finding information about movies and other entertainment, and connecting to a social network (Facebook/ MySpace) in the past years [352] Similarly, according to IBM research, an increasing number of users are researching products they plan to purchase through the mobile web [353]

145 A 2011 Wireless Smartphone Satisfaction Study conducted by J D Power and Associates finds that the top smartphone features desired on owners' future device include memory expansion, push-to-talk capability, touch screens and voice recognition [354] According to the study, Apple smartphone users are most interested in further developing their handset's

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[350] Users Mobiles America 2010, April 15, 2010, SAMNDCA00221819-877 at '840 [8 2]

[351] Users Mobiles America 2010, April 15, 2010, SAMNDCA00221819-877 at '840 [8 2]

[352] 2009 Mobile UX Forecast M T O C , Samsung Electronics Co , LTD, November 10, 2008 SAMNDCA00214969-5201 at '5060 [8 5]

[353] 2009 Mobile UX Forecast M T O C , Samsung Electronics Co , LTD, November 10, 2008, SAMNDCA00214969-5201 at '5068 [8 5]

[354] 2011 Wireless Smartphone Satisfaction Study, Management Report, J D Power and Associates, March, 2011, SAMNDCA10246338-445 at '360 and 366 [13 9]

ability to capture and record video and have memory expansion options [355]

146 When asked about their top-three favorite features, iPad owners pointed to portability, Wi-Fi connectivity and the ability to surf the web, as found in a February 2011 NPD Group survey [356] iPad owners who purchased the device for themselves appear more enthusiastic about Wi-Fi connectivity, ability to surf the web, 3G connectivity and the ability to watch movies Those who received their device as a gift are more likely to rate portability, overall size, ability to read eBooks and the ability to play music [357]

* * *

5. Mr. Musika's calculation of Samsung's profits related to the infringement is overstated.

226 For Apple's design-related intellectual property, I understand that Apple may be entitled to Samsung's profits related to the infringement Mr Musika calculates Samsung's profits two ways—the first deducting no expenses and the second based on Samsung's gross margin

227 As I describe below, Samsung is entitled to deduct all of its operating expenses in its calculation

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[355] 2011 Wireless Smartphone Satisfaction Study, Management Report, J D Power and Associates, March, 2011, SAMNDCA10246338-445 at '360 and '367 [13 9]

[356] The NPD Group Apple iPad Owner Study II An Updated Look Into Tablet Awareness Ownership and Usage, February 2011, APL-ITC796-0000502479-588 at '489 and '518 [9 1]

[357] The NPD Group Apple iPad Owner Study II An Updated Look Into Tablet Awareness Ownership and Usage, February 2011, APL-ITC796-0000502479-588 at '547 [9 1]

of the profits related to the infringement of Apple's design-related IP Further, the majority of these profits are appropriately apportioned to the other elements of value that Samsung contributes to the sales of the accused products

* * *

a) SEC's Deductible Expenses

318 Samsung's financial data includes a section titled "Manufacturing" that includes sales data and expense data for SEC and two Chinese manufacturing subsidiaries [660] This data includes the accused products that are manufactured to be sold worldwide,[661] therefore, for many accused products the manufacturing quantity is significantly higher than the sales of SEA and SEC.

319 As discussed by SEC's 30(b)(6) witness on its financial data, Mr Sim, in its latest financial data productions, Samsung has adjusted the COGS reported in the data in order to "zero out" the manufacturing profits of the Chinese manufacturing subsidiaries [662] Mr Musika has performed adjustments to his calculations in order to reverse the effect of these adjustments [663]

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[660] The Manufacturing section includes data for SEC Korea, SEHZ, and TSTC, the latter two of which are the Chinese manufacturing subsidiaries (Deposition of Jaehwang Sim, March 10, 2012, p 114 [4 5])

[661] Deposition of Jaehwang Sim, March 10, 2012, pp 112-113 [4 5]

[662] Deposition of Jaehwang Sim, March 31, 2012, pp 242, 261 [13 4] *See also* Deposition of Timothy Sheppard, March 30, 2012, pp 147-148 [13 3]

[663] Musika Report, pp 49-50 [2 2]

320 In my calculations, I rely on SEC's COGS that do not include any adjustment for the Chinese manufacturing subsidiaries Samsung's early productions of financial data did not include any adjustment for the Chinese manufacturing subsidiaries,"[664] therefore, I rely on the COGS reported in Samsung s earlier financial spreadsheets for the purposes of calculating SEC's deductible expense [665]

321 To determine whether SEC's reported expenses are deductible, I have reviewed several deposition transcripts of Samsung financial witnesses and had a conversation with Mr Dongyul Choi, a Manager in SEC's Finance Team, to gain a better understanding of the costs included in the different expense categories

322 The largest cost category for SEC is the cost of goods sold for the accused products Based on my conversation with Mr Choi, I understand that the COGS expense includes direct expenses, such as direct labor and royalties, and indirect expenses, such as indirect manufacturing labor cost, manufacturing overhead, and utility costs These costs are necessary for the manufacture of the accused products and are therefore deductible expenses I note that it appears Mr Musika does not contest that COGS will be found to be deductible expenses, as he has performed an Unjust Enrichment calculation taking these COGS into account [666]

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[664] Deposition of Jaehwang Sim, March 10, 2012, pp 35-37, 43-48 [4 5]

[665] Exhibit 1922 to the Deposition of Timothy Sheppard, March 30, 2012, SAMNDCA00354292-385 [15 14]

[666] Musika Report, pp 24-25 [2 2]

323 As part of its calculation of the operating expenses (and COGS to a lesser degree), Samsung allocates expenses that are not directly related to a specific product Samsung's financial witnesses have described that Samsung's allocation methodology follows a three-step allocation process Timothy Sheppard, STA's Vice President of Finance and Operations, describes the three-step process as follows [667]

> First, any expenses that are incurred specifically with respect to a particular model are allocated to that model,
>
> Second, costs that are not specific to a given model are allocated to various cost centers. So, for example, the lease of a building will be allocated to various cost centers. If that allocation can be undertaken on the basis of usage, that method will be used For example, if the sales team that works with Sprint takes up two thousand square feet of a four thousand square foot building, half of the rent will be allocated to that Sprint sales team Alternatively, if the usage methodology is not practical, the revenue method will be used
>
> The third and final step is to then take common cost centers, for example, the H R

[667] Declaration of Timothy Sheppard in Support of Samsung's Opposition to Apple's Motion for Rule 37(b)(2) Sanctions for Samsung's Alleged Violations of January 27, 2012 Damages Discovery Order, March 12, 2012, (hereafter, "Sheppard Declaration") p 8 [4 17] *See also* Deposition of Timothy Sheppard, February 29, 2012, pp 60-64, 92-97, 99 [10 13] *See also* Deposition of Jaehwang Sim, March 10, 2012, pp 120-121, 134-137 [4 5]

department or the accounting group and allocate those costs across devices

324 This allocation procedure is used in Samsung's ordinary course of business, [668] and is instituted as part of Samsung's monthly closing process [669] This type of allocation methodology is a reasonable method to allocate indirect expenses I note that Apple's 30(b)(6) witness on financial topics testified that Apple itself allocates the majority of its operating expenses by revenue [670]

325 Based on my conversation with Mr Choi,[671] I understand that the different operating expense categories include

- GA Expense—Labor Cost: General & Administrative Staff labor cost
- GA Expense—Depreciation G&A Staff office supplies and depreciation cost
- GA Expense—Others IT support cost, 3rd party service expense cost
- Sales Expense—Marketing Advertising, promotion, and sales commissions

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[668] Sheppard Declaration, p 8 [4 17]

[669] Deposition of Timothy Sheppard, February 29, 2012, pp 65-67, 96-97 [10 13] Deposition of Timothy Sheppard, March 30, 2012, pp 77-78 [13 3]

[670] Deposition of Mark Buckley, February 23, 2012, p 104 [5 2]

[671] Conversation with Dongyul Choi, April 15, 2012

- Sales Expense—Paid Commission Sales expenses related to 3rd party subcontractors[672]
- Sales Expense—Insurance all Insurance Cost
- Sales Expense—Others Sales personnel labor cost, transportation cost, service costs
- R&D Expense—Labor Cost R&D related labor cost[673]
- R&D Expense—Depreciation R&D related equipment depreciation
- R&D Expense—Others R&D material cost, 3rd party R&D costs [674]

326 Based on my discussions, these costs are necessary for the manufacture and sale of the accused products and are therefore deductible expenses

327 One expense that I requested more information about is whether any litigation expense related to the current lawsuit is included in the expense data I received financial data that breaks out the all litigation expense that has been allocated to each accused product on a worldwide basis,[675] the allocated lawsuit expense is a component of COGS, therefore I deduct the litigation expenses from the

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[672] Deposition of Jaehwang Sim, March 31, 2012, p 251 [13 4] *See also* Deposition of Jaehwang Sim, March 10, 2012, pp 127-129 [4 5]

[673] Deposition of Jaehwang Sim, March 10, 2012, p 138 [4 5]

[674] Deposition of Jaehwang Sim, March 10, 2012, p 138 [4 5]

[675] Volume 9, Tab 26

worldwide COGS in my calculations and thereby increase my calculation of profits

328 In summary, I have determined that all of the expenses in the Manufacturing section of the financial data are deductible expenses except the litigation expense that has been allocated to the accused products

b) STA's and SEA's Deductible Expenses

329 The expense categories included in the financial data are identical between SEA and STA, and Timothy Sheppard verified that the expenses are reported in a similar fashion,[676] so I analyze the deductible expenses of STA and SEA together In my discussion below, I will refer to STA, but the SEA treatment is identical [677]

330 Similar to SEC, STA's largest expense is COGS I understand that the large majority of COGS is the transfer price from SEC to STA, but other expenses such as repair, inventory value adjustments, scrap, and physical inventory adjustments are also included in STA's COGS [678] Mr Sim testified that "When it comes to COGS under STA, it includes purchase cost, purchase price for the products obtained from a manufacturer And there is also costs related to importing products, additional costs So you

[676] Conversation with Timothy Sheppard, April 13, 2012

[677] Conversation with Timothy Sheppard, April 13, 2012 *See also* Deposition of Jaehwang Sim, March 31, 2012, p 239 [13 4]

[678] Conversation with Timothy Sheppard, April 13, 2012

can consider this figure in COGS hundred percent direct cost "[679]

331 Because STA's COGS are directly related to the sale of the accused products, STA's COGS are a deductible expense for the purpose of calculating STA's profit However, when calculating the consolidated profitability of SEC, STA, and SEA, the transfer price between SEC and STA is not a deductible expense because it is a cost to STA and revenue to SEC Therefore, I do not treat the transfer price as a deductible expense when calculating the profitability including SEC I do not make any deduction for the cost categories other than the transfer price in COGS and remove the effect of the STA's and SEA's COGS for the calculation of the consolidated profitability of SEC, STA, and SEA

332 Based on the discussion in Mr Musika's report, I understand that Apple may contest that 100% of the transfer price is a deductible expense when calculating the profitability of SEA and STA [680] As Samsung's financial witnesses have explained, the transfer price is set based on an agreement between Samsung and the U.S government [681] Mr Sheppard

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[679] Deposition of Jaehwang Sim, March 31, 2012, p 227 [13 4]

[681] Deposition of Timothy Sheppard, January 24, 2012, pp 21-22, 35, 62-63, 82-83, 115-116 [3 22] *See also* Advance Pricing Agreement between Samsung Electronics American, Inc and The Internal Revenue Service, S-ITC-007274461 — 476 [4 18] *See*

testified that "the negotiation for the APA is really a three-party negotiation between the Korean IRS, the U S IRS, and Samsung to say based on our economic activity, they hire economists, we hire economists, the Korean government hires economists and says based on the activity STA does, this is a fair and reasonable amount of profit that reflects the activity that STA is doing Based on that, that's how the tax is paid "[682] I do not see any reason why an adjustment would need to be made to the transfer price

333 Based on my conversation with Tim Sheppard, [683] I understand that the different operating expense categories include [684]

- GA Expense—Labor Cost General & Administrative Staff labor cost (salaries, overtime, bonuses, benefits, etc)
- GA Expense—Depreciation All depreciation for fixed assets (computers, office equipment, etc)
- GA Expense—Others Travel expenses, telephone expenses, building expenses for accounting, IT, HR, facilities, legal, and management,

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also Deposition of Timothy Sheppard, February 29, 2012, pp 123-129 [10 13]

[682] Deposition of Timothy Sheppard, February 29, 2012, pp 125-126 [10 13]

[683] Conversation with Timothy Sheppard, April 16, 2012

[684] The financial data includes a Sales Expenses—Marketing line, but the expenses are zero because SEC reimburses STA for marketing expense (Deposition of Jaehwang Sim, March 31, 2012, pp 251-252 [13 4] *See also* Deposition of Timothy Sheppard, March 30, 2012, p 98 [13 3])

- Sales Expense—Logistics Cost Warehousing and freight (moving products)
- Sales Expense—Paid Commission Primarily Temporary staff
- Sales Expense—Insurance Property and general liability insurance
- Sales Expense—Others Travel expenses, telephone expenses, building expenses for sales cost centers
- Operating Expenses—Other small miscellaneous items

334 Based on my discussions, these costs are necessary for the manufacture and sale of the accused products and are therefore deductible expenses Mr Sheppard testified that STA is "primarily a sales organization "[685]

335 In summary, I have determined that all of the expenses in the STA and SEA sections of the financial data are deductible expenses

3. Calculation of Samsung's Profits on the Accused Products

336 I understand that several damages periods may be relevant depending on which design-related intellectual property is found to be valid and infringed, so I have calculated profits for the entire period of sales of accused products, from the filing of the Complaint on April 15th, 2011,[686] and from the filing

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[685] Deposition of Timothy Sheppard, January 24, 2012, p 24 [3 22]

[686] Apple Inc 's Complaint for Patent Infringement, April 15, 2011 [15 32]

of the Amended Complaint on June 16, 2011.[687] In addition, I understand that the Court may determine that the damages period may be cut-off for certain periods, so I have included monthly calculations of profitsfor each accused product in Schedules 21.1—21.28 at Volume 1, Tab 2 of my report.

337 In addition to the three different damages periods for which I calculate profits, I also calculate profits for (i) STA and SEA only, and (ii) SEC, STA, and SEA.

338 In preparing to calculate Samsung's profits on the accused products, I first calculate period totals across all products for the 2010, 2011, the period April 15, 2011 to December 31, 2011, and the period June 16, 2011 to December 31, 2011. I then aggregate STA and SEA financials by product, report them on a per unit basis, and calculate Manufacturing expenses on a per unit basis. I then apply the per unit manufacturing expenses and SEA/STA per unit expenses to determine the per unit profitability, and finally multiply by the number of units sold to determine the profit for each accused product. The calculations of profitability are in the 4 Series of Schedules at Volume 1, Tab 2 of my report.

339 My calculations of profits on the accused products after deductible expenses are as follows:

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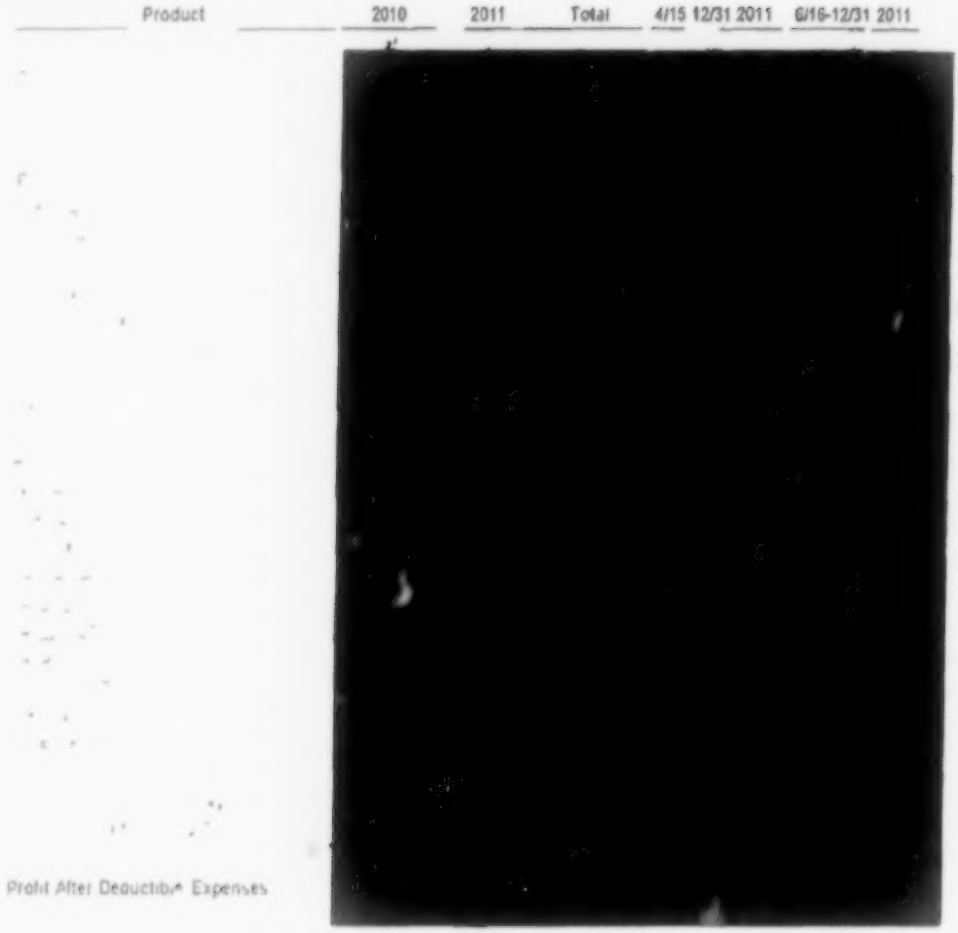
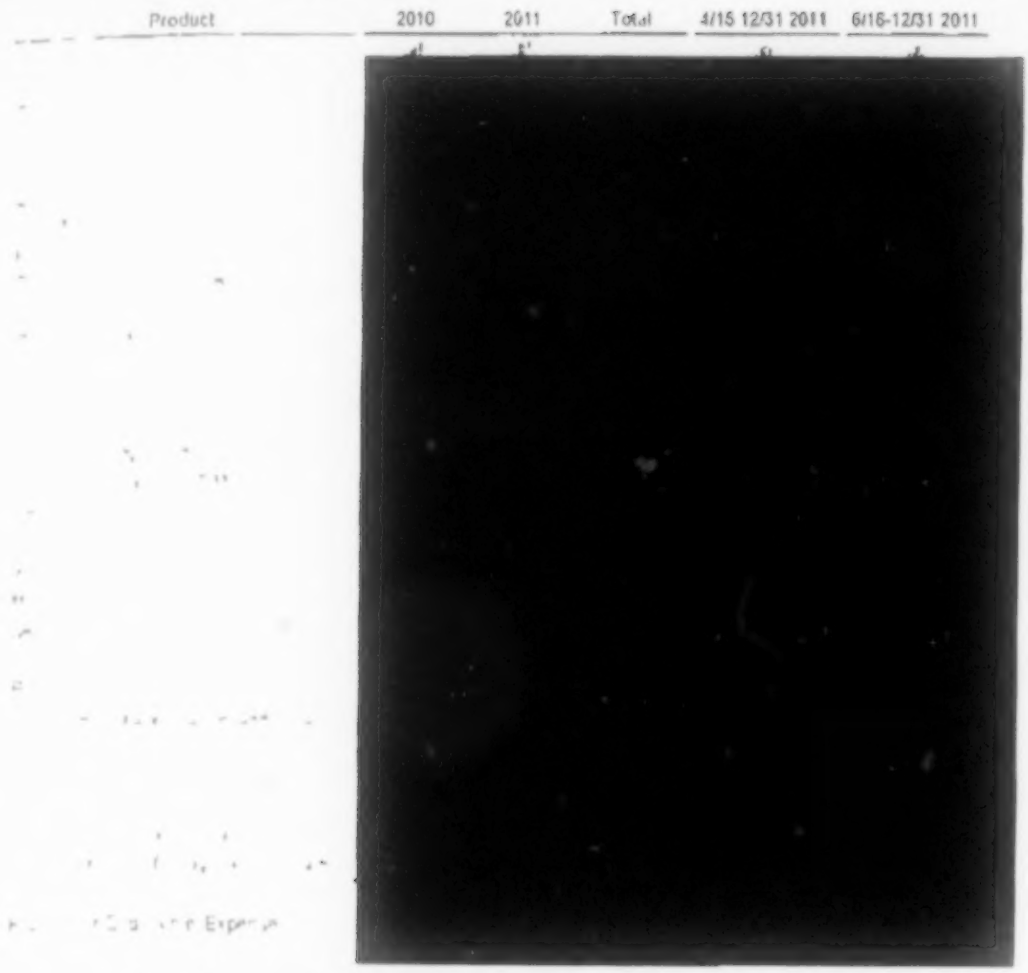
[687] Apple Inc.'s Amended Complaint, June 16, 2011 [2.1].

Figure 43: STA and SEA Profit After Deductible Expenses[688]



[688] Schedule 4.2 [1.2]

Figure 44: SEC, STA, and SEA Profit After Deductible Expenses[689]



4. Apportionment of Profit to the Design-Related IP at Issue

340 Determining the profits of the accused products is the first step of the Unjust Enrichment calculation Next, the profits should be apportioned to the design-related IP at issue versus everything else that is contributed by Samsung I understand that Apple is likely to take the position that Samsung is not entitled to apportion its profits for the asserted design

[689] Schedule 4 2 [1 2]

patents, this is a legal issue for which I do not have an opinion I calculate an apportionment for each design-related IP group, and leave it to the Court to determine whether I can apply the apportionment for the design patents

341 As I have discussed at length in this report, the design-related IP at issue in this lawsuit is a small portion of the total design relevant for the accused products In addition, design as a whole is a small portion of the value to consumers of smartphones. Therefore, a proper apportionment is critical to avoid providing a windfall to Apple of the entirety of Samsung's profits

342 Even Apple itself highlighted the value of other smartphone features, rather than industrial design, during its licensing discussions with Samsung During the October 5, 2010 meeting with Samsung, Apple presented a potential licensing framework [690] According to the presentation, an advanced mobile device would need to license three sets of technology. basic telephony, Apple computing technologies, and advanced iPhone technologies [691] Specifically, this framework was based on Apple's conclusion that "***Software*** creates the largest share of product value " [692] (emphasis in original) Apple further explained that "[o]perating system, applications, user interface, and services are the key to a ***differentiated customer***

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[690] Deposition of Richard J Lutton, Jr , July 26, 2011, p 181 [14 7]

[691] Exhibit 11 to Lutton Deposition, Samsung-Apple Licensing Discussion, October 5, 2010, APLNDC00010886-903 at '893 [14 8]

[692] Exhibit 11 to Lutton Deposition, Samsung-Apple Licensing Discussion, October 5, 2010, APLNDC00010886-903 at '889 [14 8]

experience "[693] (emphasis in original) In fact, "[s]oftware [had] always been at the heart of Apple's business and intellectual property portfolio "[694]

343 The evolution of Apple's devices saw both an increase in processing power and miniaturization, resulting in the iPhone and iPad line of products, which Apple characterized as "RF Mobile Computer[s] " [695] Such "Mobile Computers rely upon several key technologies principally developed in the computing industry " [696] The slide below, presented by Apple during the October meeting, specifically highlighted several of these "key technologies "[697]

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[693] Exhibit 11 to Lutton Deposition, Samsung-Apple Licensing Discussion, October 5, 2010, APLNDC00010886-903 at '889 [14 8]

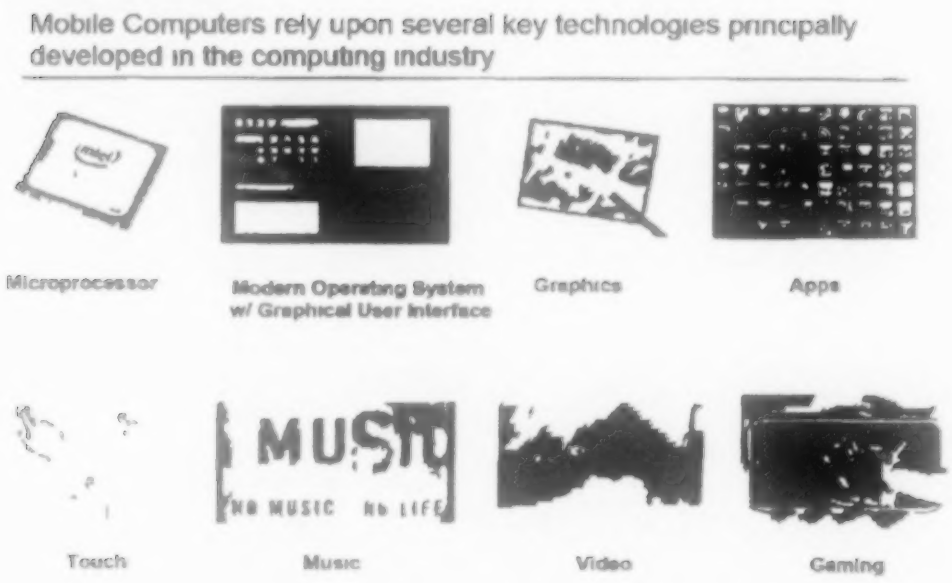
[694] Exhibit 11 to Lutton Deposition, Samsung-Apple Licensing Discussion, October 5, 2010, APLNDC00010886-903 at '889 [14 8]

[695] Exhibit 11 to Lutton Deposition, Samsung-Apple Licensing Discussion, October 5, 2010, APLNDC00010886-903 at '890 [14 8]

[696] Exhibit 11 to Lutton Deposition, Samsung-Apple Licensing Discussion, October 5, 2010, APLNDC00010886-903 at '891 [14 8]

[697] Exhibit 11 to Lutton Deposition, Samsung-Apple Licensing Discussion, October 5, 2010, APLNDC00010886-903 at '891 [14 8]

Figure 45: Key Technologies for Mobile Computing



344 These "[m]obile computers create more value for customers—and sell for more—by virtue of the additional technologies that enable them " [698] By contrast, save for one sole slide,[699] Apple's presentation is devoid of any mention of the value of industrial design as a value driver for smartphones Notably, as discussed elsewhere in my report, the slide that does mention Apple's industrial design suggests that Apple was willing to license its design features to Samsung

345 The discovery record includes several consumer studies that can be used to determine a maximum apportionment for design as a whole

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[698] Exhibit 11 to Lutton Deposition, Samsung-Apple Licensing Discussion, October 5, 2010, APLNDC00010886-903 at '892 [14 8]

[699] Exhibit 11 to Lutton Deposition, Samsung-Apple Licensing Discussion, October 5, 2010, APLNDC00010886-903 at '898 [14 8]

a) Apportionment to "Design"

346 In this section, I analyze the importance of design to smartphone buyers and owners in comparison to other smartphone's features and attributes To perform this analysis, I [144] use data from (i) iPhone Buyer Surveys commissioned by Apple, (ii) ComTech Reports also commissioned by Apple, and (iii) J D Power and Associates Consumer Studies

(1) Apple iPhone Buyer Surveys

347 In this section, I analyze the importance of the iPhone's attractive appearance and design to iPhone buyers in comparison to other features and attributes of the iPhone I use data from the iPhone Buyer Surveys commissioned by Apple

348 According to Apple's summary, Apple Market Research has conducted monthly surveys of iPhone buyers to study the demographics of iPhone purchasers, their purchase decision making, initial use and satisfaction with the iPhone [700] As a part of the survey, the respondents were presented with a list of iPhone's features or attributes and asked to rank the importance (e g "very important," "somewhat important," "neither important nor unimportant," "somewhat unimportant," "very unimportant," and "don't know") of the iPhone's features in their iPhone purchase decisions [701] The list of the iPhone's features or attributes presented to the respondents included such features as "Web capabilities," "Ease of use," "The ability to download and use apps," "Multitasking," and

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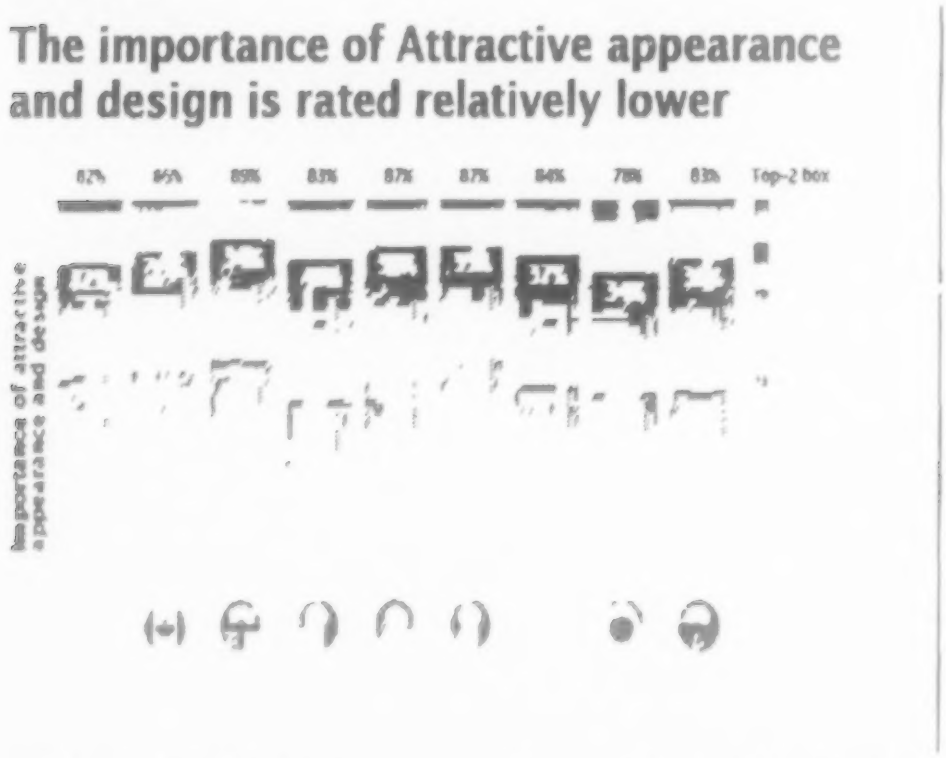
[700] iPhone Buyer Survey, Apple Market Research & Analysis, FY10 - Q2, APLNDC-Y0000026687-807 at '689 [6 6]

[701] iPhone Buyer Survey, Apple Market Research & Analysis, FY10 - Q4, APLNDC-Y0000027256-340 at '267-'285 [3 14]

"Attractive Appearance and Design" among others [702] The results of the survey were shown as a series of bar graphs for each iPhone's feature or attribute, similar to Figure 46 below [703]

Figure 46: The Importance of Attractive Appearance and Design in iPhone Purchase Decision[704]



349 Apple frequently analyzes the top box ("Very Important") and top-2 boxes ("Very Important" and

[702] iPhone Buyer Survey, Apple Market Research & Analysis, FY10 - Q4, APLNDC-Y0000027256-340 at '267-'285 [3 14]

[703] iPhone Buyer Survey, Apple Market Research & Analysis, FY10 - Q4, APLNDC-Y0000027256-340 at '267-'285 [3 14]

[704] iPhone Buyer Survey, Apple Market Research & Analysis, FY10 - Q4, APLNDC-Y0000027256-340 at '277 [3 14]

"Somewhat Important") in its summaries [705] I have collected data on the importance of the iPhone's features and attributes in the iPhone purchase decisions from the iPhone Buyer Surveys for the period from Q2 2010 to Q4 2011 In the first two quarters, respondents were not asked whether "Attractive appearance and design" were important in their purchase decisions

350 I have calculated a reasonable apportionment for design by comparing the weight of top box and top-2 box percentages of "attractive appearance and design" to all other features As an example, in the Q4 2010 survey, 50 percent of iPhone buyers in the U S named the "Attractive appearance and design" as a very important feature in their decision to purchase the iPhone [706] In comparison, 80 percent, 77 percent, 69 percent, 68 percent, 57 percent, 55 percent, 53 percent, 47 percent, 36 percent, 27 percent, 17 percent of the respondents considered the "Web capabilities," "Ease of use," "Improved battery life," "The ability to download and use apps," "Value for price paid", "Multitasking," "5MP camera with LED flash," "Retina Display," "HD video," "Face Time video calling," and "The ability to edit video on the iPhone 4 with iMovie" as very important features, respectively [707]

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[705] Footnote 703 iPhone Buyer Survey, Apple Market Research & Analysis, FY10 - Q4, APLNDC-Y0000027256-340 at '267-278 [3 14]

[706] iPhone Buyer Survey, Apple Market Research & Analysis, FY10 - Q4, APLNDC-Y0000027256-340 at '277 [3 14]

[707] iPhone Buyer Survey, Apple Market Research & Analysis, FY10 - Q4, APLNDC-Y0000027256-340 at '267-'285 [3 14]

351 Therefore, to analyze the relative importance of the "Attractive appearance and design" in comparison to the other iPhone's features and attributes, I have divided the percent of iPhone survey respondents that named the "attractive appearance and design" of the iPhone as very important by the cumulative percent of respondents that considered certain iPhone's features as very important 50% / (80% + 77% + 69% + 68% + 57% + 55% + 50% + 53% + 47% + 36% + 27% +17%) [708] This methodology indicates that the "attractive appearance and design" of the iPhone has a 7 9 percent share of the "very important" category, which I use as the apportionment [709] I have performed this analysis for each quarter from Q4 2010 to Q4 2011 On average, the "attractive appearance and design" of the iPhone are considered to be very important in purchase decision making, relative to all other iPhone features and attributes, by 7 5 percent of the iPhone buyers [710]

352 I have also replicated this analysis for the "Attractive appearance and design" feature ranked as the top-2 box ("very import ant" and "somewhat important") by respondents in their iPhone purchase decisions On average, 8 5 percent of the iPhone buyers considered the "attractive appearance and design" of the iPhone to be "very important" or "somewhat important" in purchase decision making, relative to all other iPhone's features and attributes, in the Q4 2010 - Q4 2011 time period [711]

[708] Schedule 8 4 [1 2]

[709] Schedule 8 4 [1 2]

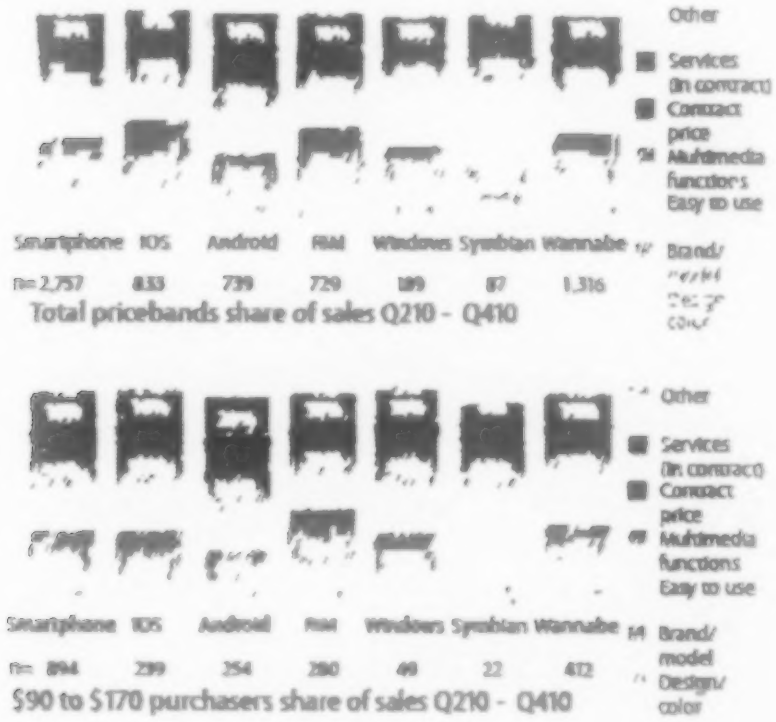
[710] Schedule 8 4 [1 2]

[711] Schedule 8 3 [1 2]

(2) ComTech Reports

353 Apple commissioned ComTech to conduct longitudinal consumer surveys to study "ownership and purchasing of device, carrier connections, billing and usage in the mobile phone market." [712] In particular, ComTech Reports provide snapshots of consumer handset purchasing by reason for handset choice, as shown on Figure 47 below [713]

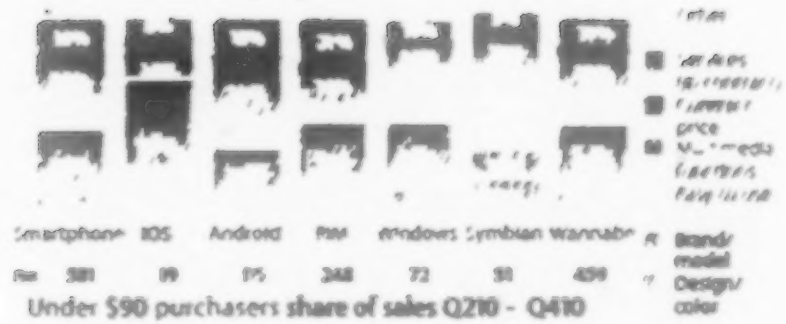
Figure 47: Handset Purchase by Priceband and by Reason for Choice[714]

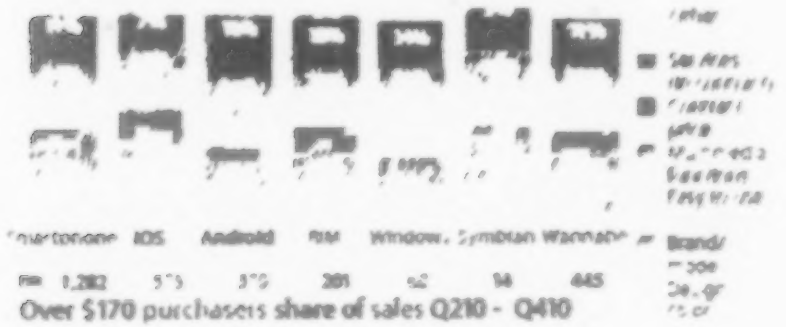


[712] ComTech United States Pricing Analysis, February 18, 2011, APLNDC0002521932-964 at '936 [14 10]

[713] ComTech United States Pricing Analysis, February 18, 2011, APLNDC0002521932-964 at '957 [14 10]

[714] ComTech United States Pricing Analysis, February 18, 2011, APLNDC0002521932-964 at '957 [14 10]





Handset acquisition spend based upon subsidized purchasing, figures are the average price paid by the consumer and not RRP Low base size warning – please use this data with caution, Indicative results only

354 According to a February 18, 2011 ComTech Report, only two percent of iPhone owners purchased iPhone because of its "design and color" in Q2 2011—Q4 2010 [715] Five percent of respondents listed "design and color" as the reason for the Android smartphone ownership [716] Overall, only four percent of respondents chose a smartphone for the reason of "design and color "[717]

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[715] ComTech United States Pricing Analysis, February 18, 2011, APLNDC0002521932-964 at '957 [14 10]

[716] ComTech United States Pricing Analysis, February 18, 2011, APLNDC0002521932-964 at '957 [14 10]

[717] ComTech United States Pricing Analysis, February 18, 2011, APLNDC0002521932-964 at '957 [14 10]

355 I have collected the data on the handset purchase reasons from the ComTech Reports for the period from Q2 2010 to Q4 2011 On average, 2 percent, 4 percent, and 3 percent of respondents purchased the iPhone, the Android smartphone or any smartphone, respectively, because of the "design and color" in the Q2 2010—Q4 2011 time period [718] These are additional measures of apportionment of the value of design

(3) J.D. Power and Associates Studies

(a) Weight given to design category

356 J D Power and Associates has conducted Wireless Smartphone Satisfaction Studies to understand attitudes, experiences and behavioral characteristics of smartphone users and determine factors that impact customer satisfaction across smartphone user segments [719] In particular, J D Power and Associates uses its proprietary model to break down a smartphone into factors and attributes One of the attributes that J D Power and Associates asks about is "Styling of wireless phone," which falls within the "Physical Design" category along with "Strength and durability," "clarity of display," and "weight of wireless phone" [720] According to the weightings in the November 2011 J D Power and Associates study, a weighting of 20 percent was given to the smartphone's physical design, and within the physical design, 25

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[718] Schedules 8 5, 8 6, and 8 7 [1 2]

[719] J D Power 2011 Wireless Consumer Smartphone Satisfaction Study(SM) Volume I - Management Report, March 2011, SAMNDCA10246338-445 at '343 [13 9]

[720] J D Power and Associates 2011 U S Wireless Mobile Phone Study Results Presentation Volume 2, November 14, 2011, SAMNDCA00282033-088 at '035 and '062 [13 7]

percent was assigned to "Styling of wireless phone."[721] Therefore, styling was assigned a total weight of five percent (20% * 25%).

Figure 48: Smartphone Factors and Attributes[722]

357 A March 2011 J D Power and Associates study included "visual appeal of your wireless phone" within the "physical design" category. The weighting for the physical design category was 23 percent, and the visual appeal had a 22 percent weighting of the

[721] J D Power and Associates 2011 U S Wireless Mobile Phone Study Results Presentation Volume 2, November 14, 2011, SAMNDCA00282033-088 at '035 and '062 [13 7]

[722] J D Power and Associates 2011 U S Wireless Mobile Phone Study Results Presentation Volume 2, November 14, 2011, SAMNDCA00282033-088 at '035 and '062 [13 7]

category, which corresponds to a total weighting of about 5 percent of the smartphone (23% * 22%) [723]

358 These data points are good measures of an appropriate apportionment for design because a third party (J D Power and Associates) has determined the weightings and uses the weights in its industry consulting

(b) Survey results

359 Similar to Apple's studies, in its March 2011 study, J D Power and Associates also analyzed the smartphone selection process [724] According to the study, reasons for choosing the smartphone manufacturer included "Liked Overall Design / Style" (45%) "Internet Capable" (44%), "Touch Screen" (43%), and others presented in Figure 49 below [725]

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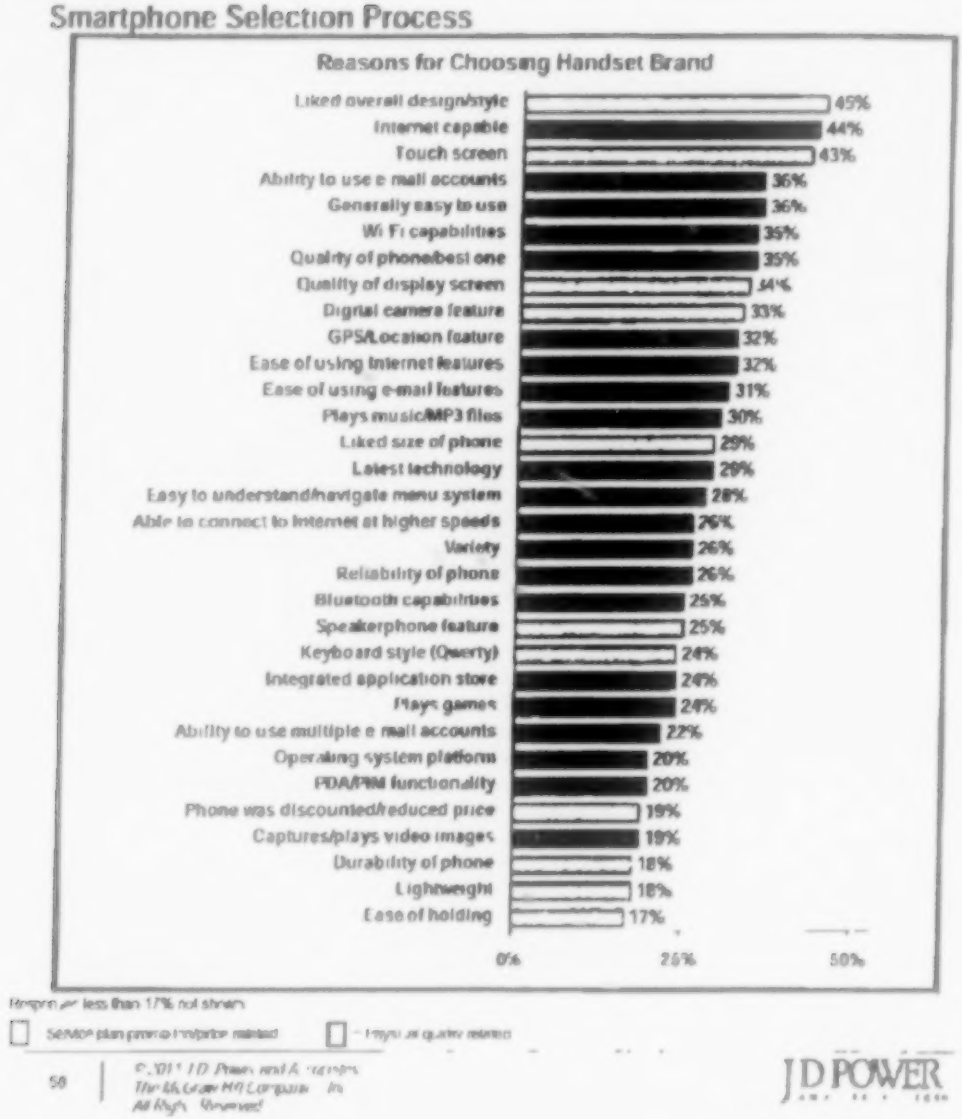
[723] J D Power 2011 Wireless Consumer Smartphone Satisfaction Study(SM) Volume I - Management Report, March 2011, SAMNDCA10246338-445 at '380 [13 9]

[724] J D Power 2011 Wireless Consumer Smartphone Satisfaction Study(SM) Volume I - Management Report, March 2011, SAMNDCA10246338-445 at '393-'400 [13 9]

[725] J D Power 2011 Wireless Consumer Smartphone Satisfaction Study(SM) Volume I - Management Report, March 2011, SAMNDCA10246338-445 at '395 [13 9]

Figure 49: Reasons for Choosing Handset Brand[726]



360 To analyze the importance of the "Overall design/style"relative to the other reasons for choosing a handset brand, I have divided the percent of

[726] J D Power 2011 Wireless Consumer Smartphone Satisfaction Study(SM) Volume I - Management Report, March 2011, SAMNDCA10246338-445 at '395 [13 9]

respondents that listed the overall design/style as a purchase reason by the cumulative percent of respondents that considered other reasons in their smartphone selection process I have calculated a 5 percent apportionment based on the survey responses [727]

(4) Conclusion

361 The consumer surveys discussed in this section provide a relatively consistent range for apportionment of value to design, ranging from 1% to 8 5% Based on my review of these surveys, I have concluded that five percent is an appropriate apportionment of value to design as a whole [728]

b) Apportionment of Design to Specific Design-Related IP at Issue

362 The five percent determined above is a maximum value for design because, as discussed above, the design-related IP at issue in this lawsuit is only a small portion of the overall design of a smartphone

363 The J D Power and Associates studies discussed above provide a basis to compare the success of Apple's products relative to the industry In the March 2011 study, Apple outperformed all other manufacturers in the physical design factor, scoring 36 index points above the industry average as shown in Figure 50 below [729] Apple also exceled in all five

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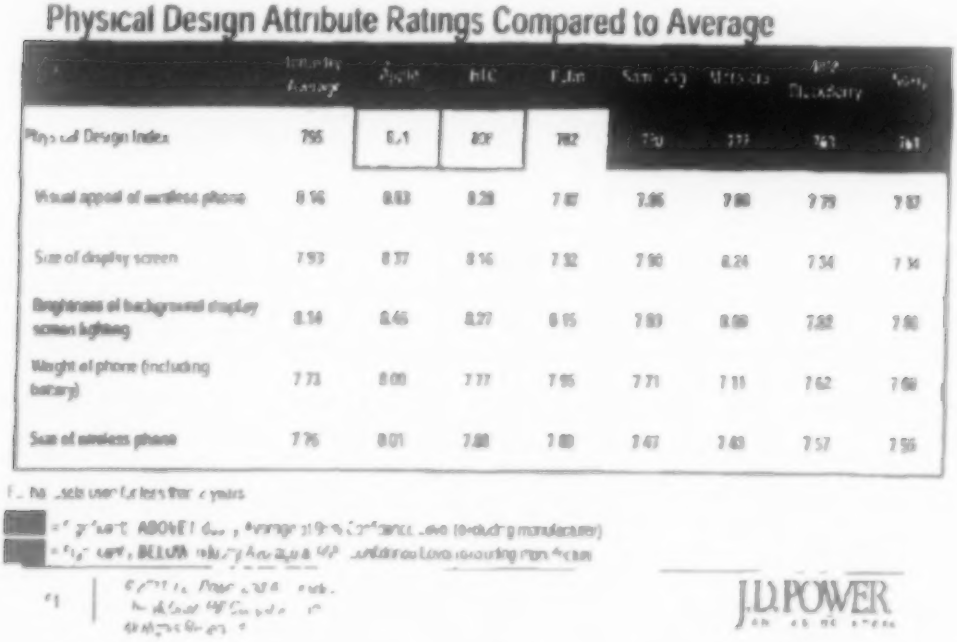
[727] Schedule 9 4 [1 2]

[728] Schedule 7 1 [1 2]

[729] J D Power 2011 Wireless Consumer Smartphone Satisfaction Study(SM) Volume I - Management Report, March 2011, SAMNDCA10246338-445 at '388 [13 9]

attributes of the physical design, including "Visual appeal of wireless phone," "Size of display screen," "Brightness of background display screen lighting," "Weight of wireless phone," and "Size of wireless phone,"[730] In particular, in the "Visual appeal of wireless phone" attribute, Apple performed 0 47 points or 6 percent above the industry average of 8 16 ((8 63 - 8 16) / 8 16) [731]

Figure 50: Physical Design Attribute Ratings Compared to Average[732]



364 In the survey asking about reasons for choosing a smartphone, 51 percent of the respondents

[730] J D Power 2011 Wireless Consumer Smartphone Satisfaction Study(SM) Volume I - Management Report, March 2011, SAMNDCA10246338-445 at '388 [13 9]

[731] Schedule 9 3 [1 2]

[732] J D Power 2011 Wireless Consumer Smartphone Satisfaction Study(SM) Volume I - Management Report, March 2011, SAMNDCA10246338-445 at '388 [13 9]

indicated a reason that they selected Apple was the overall design/style [733] This is 6 percent higher than the industry average of 45 percent, as shown in Figure 51 below [734] In relative terms, the respondents valued Apple's overall design/style 13 percent higher than the overall design/style of all smartphone manufacturers on average in their smartphone selection process (6% / 45%)

Figure 51: Selection Process Among Smartphone Manufacturers[735]

Selection Process Among Smartphone Manufacturers[1,2]

Liked overall design/style	45%	51%	49%	50%	34%	42%	38%	41%
Internet capable	64%	48%	69%	57%	19%	37%	37%	39%
Touch screen	43%	58%	61%	58%	16%	56%	11%	52%
Ability to use e-mail accounts	36%	40%	39%	50%	14%	28%	33%	29%
Generally easy to use	36%	45%	32%	35%	16%	33%	31%	30%
Wi-Fi capabilities	39%	50%	42%	43%	12%	27%	18%	26%
Quality of phone functions	35%	49%	36%	39%	23%	18%	25%	23%
Quality of display screen	34%	41%	40%	45%	17%	28%	42%	32%
Digital camera feature	33%	34%	31%	44%	27%	32%	45%	34%
GPS/Location feature	32%	40%	40%	50%	16%	25%	19%	27%
Ease of using Internet features	32%	44%	33%	40%	11%	26%	21%	21%
Ease of using e-mail features	31%	43%	27%	38%	10%	24%	28%	20%

[illegible]

365 Based on the above analyses, I conclude that design in total should only be apportioned five percent

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[733] J D Power 2011 Wireless Consumer Smartphone Satisfaction Study(SM) Volume I - Management Report, March 2011, SAMNDCA10246338-445 at '396 [13 9]

[734] J D Power 2011 Wireless Consumer Smartphone Satisfaction Study(SM) Volume I - Management Report, March 2011, SAMNDCA10246338-445 at '396 [13 9]

[735] J D Power 2011 Wireless Consumer Smartphone Satisfaction Study(SM) Volume I - Management

of Samsung's profits on accused products What Apple appears to add in value to the design of their products above the average industry participant is only an increase of 6% to 13% Using an average of 10% better design, this would imply that the value of all the Apple designs to average design value would be 0 5% of profits (5% X 10%)

366 To be conservative, I would apportion 1% of Samsung's profits to possible design elements allegedly taken from Apple

c) Apportionment based on design arounds

367 As I describe below in *Georgia-Pacific* factor 9, I have concluded that Samsung had available to it acceptable, non-infringing alternatives for the trademarks, GUI Design Patents, and trade dress These available alternatives indicate that the true apportionment to

Apple's asserted design-related IP is zero (or at most the expense of the design around discussed in *Georgia-Pacific* factor 9)

368 In addition, I note that the trademarks at issue area small part of the total population of trademarks used on Samsung's accused products For example, I or my staff has counted the number of icons in the pictures of several accused products included in the Expert Report of Susan Kare, based on this analysis, it appears that Samsung's accused products include between 34 and 60 icons [736]

[736] Schedule 17 [1 2]

d) Conclusion on Apportionment

369 In my opinion, Apple's design-related IP should be apportioned at most to be one percent of Samsung's profits after deductible expenses.

5. Samsung's Unjust Enrichment

370. As discussed above, STA's and SEA's profits after deductible expenses are negative (losses), therefore STA and SEA did not have any unjust enrichment related to the sales of the accused products.[737]

371 Applying the maximum apportionment of one percent to Samsung's profits after deduction expenses results in Samsung's Unjust Enrichment related to its infringement of the design-related IP calculated as follows:

Figure 52: STA, SEA, and SEC's Unjust Enrichment—Different Time Periods[738]

Figure 52: STA, SEA, and SEC's Unjust Enrichment - Different Time Periods[738]

	STA, SEA and SEC Profit After Deductible Expenses		
	STA, SEA and SEC Profit After Deductible Expenses	Apportionment	Apportioned STA, SEA and SEC Profit After Deductible Expenses
	(a)	(b)	(c)
2010	[redacted]		
2011			
Total			
April 15 - December 31, 2011			
June 18 - December 31, 2011			

[737] Schedule 4 [1 2]

[738] Schedule 4 [1 2]

[1] UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

[Filed 06/30/12]

Case No. C-11-01846 LHK

APPLE, INC., a California Corporation,

Plaintiff,

vs.

SAMSUNG ELECTRONICS CO., LTD., a Korean business entity; SAMSUNG ELECTRONICS AMERICA, INC., a New York corporation; SAMSUNG TELECOMMUNICATIONS AMERICA, LLC, a Delaware limited liability company

Defendants.

ORDER GRANTING-IN-PART AND DENYING-IN-PART MOTIONS TO EXCLUDE EXPERT TESTIMONY

Apple moves to exclude testimony of the following eight Samsung experts: (1) Itay Sherman; (2) Sam Lucente; (3) Mark Lehto, (4) Nicholas Godici; (5) George Mantis; (6) Michael Mazis; (7) Michael Kamins, and (8) Michael Wagner. Samsung, in turn, moves to exclude testimony of the following eight Apple experts: (1) Terry Musika, (2) John Hauser; (3) Henry Urbach; (4) Susan Kare; (5) Russell Winer; (6) Sanjay Sood; (7) Michael Walker, and (8) Richard Donaldson. The Court GRANTS-IN-PART and DENIES-IN-PART Apple's motion to exclude, and

GRANTS-IN-PART and DENIES-IN-PART Samsung's motion to exclude.

8. Michael Wagner

Apple moves to exclude Mr Wagner's opinions regarding (1) apportionment of damages with respect to Apple's design patents, and (2) apportionment of damages with respect to Apple's [9] trade dress claims. Apple also moves to exclude (3) Mr. Wagner's opinion that evidence of "demand for the patented features" is required under *Panduit Corp. v Stahlin Bros. Fibre Works, Inc.*, 575 F.2d 1152, 1156 (6th Cir 1978)

Apple argues that Mr. Wagner's apportionment of Samsung's profits based on Apple's design patents should be excluded as inconsistent with 35 U S.C. § 289, which provides that a design patent holder is entitled to an infringer's total profits. *See* 35 U.S.C. § 289 (the infringer "shall be liable to the [patent] owner to the extent of his total profit"); *Nike Inc. v. Wal-Mart Stores, Inc.*, 138 F.3d 1437, 1442-43 (Fed. Cir 1998) (noting that Congress removed "the need to apportion the infringer's profits between the patented design and the article bearing the design" when it passed the Act of 1887, which was subsequently codified under 35 U S C § 289). Samsung's opposition cites no legal basis for Mr. Wagner's apportionment of damages, in clear contravention of 35 U.S.C. § 289, instead appealing only to procedural and policy arguments for allowing apportionment in this case. Because Mr Wagner's apportionment of damages with respect to Apple's design patent infringement claims is contrary to law, it is unreliable under FRE 702 and *Daubert* and unduly prejudicial under FRE 403. Apple's motion to exclude Mr. Wagner's testimony apportioning damages with respect to Apple's design patent claims is therefore GRANTED.

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

[Filed 07/19/12]

Case No.. 11-CV-01846-LHK

APPLE INC., a California corporation,

Plaintiff,

v.

SAMSUNG ELECTRONICS CO., LTD., A Korean business entity; SAMSUNG ELECTRONICS AMERICA, INC., a New York corporation; SAMSUNG TELECOMMUNICATIONS AMERICA, LLC, a Delaware limited liability company,

Defendants.

MINUTE ORDER AND CASE MANAGEMENT ORDER

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* * *

3. Apple's motion in limine #3, to exclude evidence or argument regarding claimed prior art devices that do not qualify as prior art, is GRANTED in part and DENIED in part, for the reasons stated on the record. The motion is GRANTED in that the following may not be introduced as prior art references under 35 U.S.C. § 102: KR30-0452985; Sharp Softbank; KU990Viewty; LG KS20; and the internal Samsung documents; the LG Chocolate; and the F300. The motion is DENIED in all other respects. In other words, the LG KE 750 Prada may

be admissible as a prior art reference under 35 U.S.C § 102. All the evidence identified in this paragraph is admissible for other purposes, including to rebut an allegation of copying.

* * *

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

[Filed 07/29/12]

Case No. 11-cv-01846-LHK

APPLE INC., a California corporation,

Plaintiff,

v.

SAMSUNG ELECTRONICS CO., LTD., A Korean business entity; SAMSUNG ELECTRONICS AMERICA, INC., a New York corporation; SAMSUNG TELECOMMUNICATIONS AMERICA, LLC, a Delaware limited liability company,

Defendants.

APPLE'S OBJECTIONS TO
SAMSUNG'S OPENING STATEMENT
DEMONSTRATIVE EXHIBITS

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* * *

10 This slide misleadingly mixes *unreleased* Samsung phones with commercially *released* products. In doing so, it creates the misimpression that Samsung was releasing phones with allegedly iPhone-like designs as early as 2006, before the iPhone was released. Several of the depicted devices, including the Flipper, Vessel, Card3, Warp, and Framer, were not produced to Apple for inspection during discovery.

11-19 Judge Grewal has already stricken Samsung's theories that it independently developed smartphones with designs similar to the iPhone before that product was released. In particular, Judge Grewal excluded the opinions of Samsung's invalidity expert, Mr. Sherman, concerning the F700 design, its related design patents, and related development documents. (Dkt. No. 1144 at 5 ¶ 12; *see also* Dkt. No. 939 Ex 27 at 39-40)

Unable to rely on the F700 and related materials, Samsung again tries to evade Judge Grewal's order by referring to the F700 by its internal names, such as "Bowl" and "Q Bowl." (Bartlett Decl. Ex. 1 at 15:1-16:2.) This is improper. As with Samsung's prior attempt to rely on the F700, Samsung's references to the "Vessel," "Q-Bowl," "Bowl," "Slide," and "iReen" in these slides all suffer from the same defects. They were omitted from Samsung's invalidity interrogatory responses, they were omitted from Samsung's non-infringement interrogatory responses, and they were omitted from Samsung's non-infringement expert reports.

* * *

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

[Filed 07/29/12]

Case No.: 11-cv-01846-LHK

APPLE INC., a California corporation,

Plaintiff,

v.

SAMSUNG ELECTRONICS CO., LTD., A Korean business entity; SAMSUNG ELECTRONICS AMERICA, INC., a New York corporation; SAMSUNG TELECOMMUNICATIONS AMERICA, LLC, a Delaware limited liability company,

Defendants

SAMSUNG'S RESPONSES TO APPLE'S OBJECTIONS TO SAMSUNG'S OPENING SLIDES

* * *

Slide 10 Apple objects to Samsung's slide 10 as presenting scaling issues, and disclosing phones and mockups that are only admissible for limited purposes and that were allegedly not produced for inspection. The images on slide 10 are being offered not as invalidating prior art, but rather to show independent creation and to rebut allegations of copying, consistent with the Court's prior orders. (Dkt. 1267) The Court has rejected Apple's efforts to exclude documents showing a lack of copying so this objection is overruled. Issues of scaling therefore do not have the same importance as they do in the infringement analysis.

Nothing prevents Samsung from showing trial exhibits in its opening simply because they may be subject to a limiting order later. In addition, although Apple has not specified which models it claims were not produced for inspection, photos of the models were produced during discovery, and many were exhibits to the reports and declarations filed by Apple's own experts. For example, numerous images of the models Apple now complains of were produced at SAMNDCA00321707-766 on February 3, 2012, well before the close of fact discovery, and are contained in Samsung's Ex. 625

Slides 11-19: Apple's objection to slides 11-19 on the ground that they contain "undisclosed theories" is meritless. Samsung has argued since the inception of this case that it has not copied Apple's products, and that it independently pursues its own designs. Apple cannot claim surprise now that the time has come to prove those theories using documents that were timely produced to Apple. In addition, Apple's argument that slides 11-15 contain undisclosed models is untrue. Samsung timely produced photos of the models depicted in the slide, and Apple does not claim otherwise, as well as the physical models it had. Like Apple, Samsung did not retain all of its models going back almost a decade, but where it did not, Samsung timely produced images of them.

* * *

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

[Filed 07/29/12]

Case No.. 11-CV-01846-LHK

APPLE INC., a California corporation,

Plaintiff,

v.

SAMSUNG ELECTRONICS CO., LTD., A Korean business entity, SAMSUNG ELECTRONICS AMERICA, INC., a New York corporation; SAMSUNG TELECOMMUNICATIONS AMERICA, LLC, a Delaware limited liability company,

Defendants.

ORDER ON APPLE'S OBJECTIONS TO SAMSUNG'S OPENING SLIDES

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10 Overruled. Consistent with this Court's ruling on the motions in limine (ECF No. 1267), the unreleased Samsung phones can be admissible to rebut allegations of copying, even if they do not meet the requirements of § 102. Moreover, the use of the term "mock-up" in the slides lessens potential juror confusion that all of the Samsung phones were released However, if Samsung did not timely produce in discovery the images of the Flipper, Vessel, Card3, Warp, and Framer devices, the Court will sustain Apple's objection.

11-19 Sustained Pursuant to Judge Grewal's Order, theories of invalidity based on the evidence and references in slides 11-19 were not timely disclosed in Samsung's invalidity/non-infringement contentions and therefore are excluded.

* * *

[283] UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

Case No.. 11-CV-01846-LHK

APPLE INC., a California corporation,

Plaintiff,

v.

SAMSUNG ELECTRONICS CO., LTD., A Korean business entity; SAMSUNG ELECTRONICS AMERICA, INC., a New York corporation; SAMSUNG TELECOMMUNICATIONS AMERICA, LLC, a Delaware limited liability company,

Defendants.

San Jose, California
July 31, 2012

Transcript of Proceedings before the Honorable
LUCY H KOH United States District Judge

Volume 2
Pages 283-555

APPEARANCES ON NEXT PAGE

Official court reporter: Lee-Anne Shortridge, CSR, CRR Certificate number 9595

* * *

[Direct Examination of Christopher Stringer]

[470] Q Sir, can you tell us just generally, definitionally, what does an industry designer do?

A Well, at Apple, our role is to imagine objects that don't exist and to guide the process that brings them to life

And so that includes defining the experience that a customer has when they touch and feel our products.

So it's managing the overall form and the materials, the textures, the colors. It's managing the details

And it's also working with engineering groups to, as I say, bring it to life, to bring it to the market and to building the craftsmanship that it absolutely needs to have to have that Apple quality.

* * *

[484] Q Let's talk about the iPhone for a minute

What—if you can describe it for us, what, if anything, were you trying to achieve in designing the iPhone?

A We—we were looking for a new, original, and beautiful object, something that would really wow the world.

We were entering a category that we'd never participated in before, and the category that we did not enjoy. There were no cell phones that we loved.

So this was something that we really cared deeply and passionately about, producing something for ourselves.

We—as always, we wanted to create something that seemed so, so wonderful that you, you can't imagine how you could follow it.

Of course, you can because if you look at the history of our products, we've done that time and time again.

But you want to create the simplest, purest manifestation of what that object can be, something that people can love.

Q Do you recall approximately how long you worked on the design of the iPhone?

[485] A I have no idea. I'd have to look at documentation for this. But it was a long time.

Q Years?

A I think so.

* * *

[493] Mr. Stringer, let me hand you what has been marked as exhibit JX 1000 (handing) Can you tell me what that is, sir?

A This is the iPhone, the original.

Q Can you tell us how, how of these various models and pictures that we've looked at, how did you come about to select that design as the final design for the iPhone?

A It's very simple. It was the most beautiful of our designs. We sometimes don't recognize it instantly. It may take some energy and adding detail. But when we realized what we had, we knew it

Q At any time during the development of the iPhone, did—were there any doubts about whether or not you were going to be successful with that product?

A Absolutely. I'm aware that Steve Jobs himself had doubts

We were doing something unprecedented. [494] The world had never seen anything like this. There was legions of phones available. None were very satisfying.

And this broke new ground. It was more than a phone Smartphones existed, but they were more like tiny little computers.

We came up with something that was breathtaking. It was a revolution.

Q Can you—

A And the challenges in terms of producing that product were enormous.

Q Can you give—I'm sorry

Can you give us some examples of the production problems?

A Production problems, we had many. Producing the glass was very challenging. We were putting glass in close proximity to hardened steel. If you drop this, you don't have to worry about the ground hitting the glass You have to worry about the band of steel surrounding the glass hitting the glass.

So there was an enormous amount of energy put into the engineering of that interface.

Secondly, we were putting holes in the glass. I think we—people thought we were crazy.

[495] But we, we just solved the engineering issues. It was a huge, huge amount of work.

The band itself was challenging. We insisted on this high polished steel, continuous band around the product, and if we ignore the antenna issues of that generation, which were enormous at that point in

time, and focus on the manufacturing issues alone, there's a long list of challenges there.

In order to, to make it work, we had to use a very high, high grade of steel because we couldn't have it sort of deflecting into the glass.

That was incredibly hard to polish. That was once you got the shape right.

It was very, very difficult to machine, and machining these volumes was unprecedented at that time.

Q Were any of the design decisions that you made about the iPhone, were they made in order to make the iPhone cheaper or easier to manufacture?

A No.

Q Were you ever told by anyone—were any of the design choices that you made, made in order to make it work better as a telephone?

A No.

[496] Q Were you ever told by anyone that you had to pick particular designs because of requirements from the components or the internal elements of the phone?

A No.

Q How—Who was in control of your design process ultimately?

A We were in control of our design process.

Q Is there a reason why you didn't put the Apple logo on the front face—on the front face of the face?

A First of all, it—it didn't look good.

And we also knew from our experience with iPod, if you make a startlingly beautiful and original design, you don't need to. It stands for itself It becomes a cultural icon.

Q What do you mean when you use the word "icon," sir?

A Icon, it's a hard credential, really. I think that becomes true with enormous success.

But if you see something across the room and you know what it is and you can simply describe it, it's an icon.

MR. MCELHINNY Your Honor, I would move JX 1000 into evidence

* * *

[556] UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

Case No. C-11-01846 LHK

APPLE INC., a California Corporation,

Plaintiff,

vs.

SAMSUNG ELECTRONICS CO., LTD , a Korean business entity, SAMSUNG ELECTRONICS AMERICA, INC., a New York Corporation; SAMSUNG TELECOMMUNICATIONS AMERICA, LLC, a Delaware limited liability company,

Defendants.

San Jose, California
August 3, 2012

Transcript of Proceedings before the Honorable
LUCY H KOH United States District Judge

Volume
Pages 556-930

Appearances on next page

Official court reporter: Lee-Anne Shortridge, CSR, CRR
Certificate number 9595

* * *

[Direct Examination of Philip Schiller]

[599] Q What was the initial reaction to the announcement?

MR. PRICE. I'm going to object, Your Honor. Vague, by whom, when?

THE COURT Sustained.

BY MR MCELHINNY·

Q What was the media reaction to the announcement?

A We had a huge amount of press, and as you would expect, the range of the reaction was everything you could imagine from excitement about this breakthrough product to doubt that Apple could succeed at this or do a good job at it.

* * *

BY MR. MCELHINNY:

Q As the head of marketing, did you become aware that people expressed doubt as to the success of the iPhone product?

A Yes, absolutely.

Q Can you give us an example?

A We had many press reports, from the press, from analysts, even from competitors who spoke out against our announcement and said that we're going to fail. Even Microsoft said we were going to fail The head of Palm said we were going to fail. There were many people expressing doubt.

Q And did they give reasons why they thought it would fail?

A Yes, absolutely.

Q And do you recall any of the reasons that were given at the time?

[601] A Probably the biggest reason was that Apple had never had a phone before and was new into the phone business and they expected that we would fall on to our face and do a bad job of it.

Q Sir, if you look at exhibit 133 in your exhibit binder there, PX 133.

A Yes.

Q Can you tell me what that document is, please?

A This is an article from the *New York Times* that appeared the day after the launch of the iPhone written by David Pogue, one of the preeminent —

* * *

[625] As the head of marketing, in Apple's view, has the iPhone been a successful product?

A Yes, it's been very successful

Q And what is your understanding of the reasons for its success?

* *

THE WITNESS: I think there are many reasons for the iPhone success.

For me, what I believe is very prevalent is, number one, people find the iPhone designs beautiful.

Number two, it's an incredibly easy-to-use device with all of our software inventions to make it intuitive and simple and well integrated.

I think, third, the fact that we do such a good job integrating hardware and software together to make one experience.

And, fourth, I think because it has—we've really taken the entire experience, every element of it, hardware, software, applications, [626] Internet services and taken responsibility to make all those things work well for the customer. I think that's sort of my list of what's made it successful.

Q Has the iPad been a successful device?

A Absolutely.

Q And what are your understandings for the reasons of its success?

A Well, first I would repeat similar items as with the iPhone, that it's absolutely beautiful, that it's very easy to use with its software; that it's integrated together hardware and software; and the responsibility we take for all those services.

But I would add one more in addition to the iPhone, which is we've actually shown people the value that this incredibly beautiful product can have in their lives and why they want one when they never had before. That was one of the biggest challenges.

Q Could you please publish PDX 8.

Sir, these are photographs of the phones that are already in evidence in this case.

I notice that when you looked at the PTO display, you immediately recognized, you talked about the distinctive nature of the iPhone.

[627] What is it about these designs that causes you to call them distinctive?

A Well, as a marketing person, it's important to me that a product be unique, be distinctive, be consistent over time.

What you're seeing up here, you may think it's just four pictures of phones, but it actually represents many years of iPhone to Apple. We don't bring out new versions every month We bring them out about once a year.

And you see the very consistent shape of it. It's rounded corners, it's rectangular shape, its full glass face with the black screen and black area around the screen just seen as one. You see the colorful icons, the applications, the squares with their rounded corners.

You see the box along the bottom which we're known for I think there are a number of facts altogether that make it very obvious that it's an iPhone.

* * *

THE COURT: Oh, all right.

BY MR. MCELHINNY:

Q Which iPhones incorporate the design features that you just discussed?

A They all do.

Q If you would put up, please, PDX 9.

These are pictures of the iPad in evidence.

Again, what is it about these, the shape of these devices that makes you think that they're distinctive?

A As a marketing person, it's important to me that the image of the product be simple, clear, consistent over time and what you're seeing is the iPad has had a consistent design of the large rectangle with four rounded corners, a full glass face with a screen

and the area around the screen just become one surface. That we have a beautiful set of icons that are colorful, squares with rounded corners. A dock for the most commonly used icons all on the bottom

And altogether it's a simple, beautiful [629] look that has stayed consistent with across the product line.

Q In your experience, does the design of these products contribute to their success?

A Absolutely.

Q And why do you say that?

A Because I believe customers value beautiful products and products they can associate and identify with the company who's made them.

Q Sir, if you look in your binder at exhibit 1—PX143.

A Yes.

Q What is exhibit PX 143?

A This is an Apple customer or buyer survey of people who purchased iPhones.

Q Can you tell me the dates of it, please?

A This was from the fourth fiscal quarter in fiscal year 2010.

* * *

[635] "And the question, of course, there was more than one, this one was "How important is attractive appearance and design?"

And then what you see there in the bars is the results.

Q I'm sorry. So we're on track. What does attractive appearance and design mean in your business?

A We're simply trying to understand from the customer's perspective the actual physical appearance, the look of the product, the iPhone, and what they felt about how important that appearance or look was in their own decision to buy it.

Q All right. Let me hammer the obvious later. This is not just the result of a single survey; is that right?

A No, it is not.

Q It covers a period of time?

A Yes, it does.

Q A number of surveys?

A Yes, it does.

Q And what, what does this summary tell us about the importance of design to your customers?

A This survey result, across time, across many [636] customers, affirms for me the perspective that, that most customers believe that attractive appearance and design is very important to their choice of buying a product, and specifically our product.

Q And how do you get that conclusion from these numbers?

A We asked the customers, in this question, to rate this importance on a scale of 1 to 5, with the top two in that scale being the attractive appearance and design is either somewhat importance to the purchase or very important to the purchase.

And in marketing lingo, we call that the top two box, those top two choices.

And you usually combine those for your measure of what customers think whether something is important or not.

And—Now I apologize the way you usually show a chart like this—

Q So when you talk about top two boxes, you're talking about the bottom two boxes?

A One of the funny things in marketing is we call them the top two, but in a chart, they're usually the bottom colors in that, so it's the dark blue and medium blue that you see there.

[637] So the way I look at these when I see these reports is you combine those two.

So, for example, the first bar shows 46 percent, plus 35 percent of the top two boxes, or 85 percent of those customers believed that it was, the appearance and design was important to their purchase of the iPhone.

Q Does Apple take product design seriously?

A Extremely.

Q Why?

A I believe one of the things the market looks at from Apple is beautiful products. It's one of the things we're known for. It's one of the things we strive to create, and I think it's part of who Apple is. We create beautiful products.

* * *

[665] THE WITNESS: I absolutely believe it's had an impact on our sales.

BY MR. MCELHINNY:

Q And we'll have experts come in to talk about the numbers later, but what is the overall effect, sir?

A One of the jobs of my team is the forecasting process and understanding impacts of these things, and we have to guess at this every day.

And it is our belief that customers, some customers are choosing to buy a Samsung product because one of the things it does is look a lot like the iPhone, a lot like the iPad

I also think it has an effect around those first purchases where subsequent purchases then are affected because you're used to an ecosystem that you've started on, and the people around you are affected because if one person in your family has a certain product that runs a certain operating system and uses certain applications, others are more likely in that family to choose a similar product.

So I think it has effects in the initial sales, as well as on related sales.

MR. MCELHINNY: Thank you, Mr. Schiller.

* * *

[Cross Examination of Philip Schiller]

[675] Q And it's your experience that these are things which consumers want, that they want screens that are larger so they can see web pages, movies, you know, within the limit of the, you know, being useful in your hand?

A Larger screens are—can be a benefit to users. It's not the only thing they want, but it's one thing that they want.

Q And when, when you—when Apple released the iPhone in 2007, it expected competition in the smartphone industry with phones that you could watch movies on or view web pages; correct?

A We expected competition in the smartphone space, yes.

Q Because you didn't think that Apple—Apple didn't think that it had the exclusive right to give the consumer a smartphone with a screen that could Exhibit web pages, movies, music; right?

A We did not have exclusivity on playing movies or music on phones

* * *

[696] BY MR. PRICE:

Q Let me ask you, then, about why customers buy phones, and you had looked at Exhibit 143, I believe it was, and there are documents, and this is one of the Apple surveys?

A This is, as we discussed earlier, an iPhone buyer survey.

Q So these are people who are already Apple customers; right?

A Yes.

Q So if you look at this survey, it doesn't tell you anything about why Apple lost a sale because these are sales that Apple won; right?

[697] A Correct. These are customers who purchased our product

Q So, for example, you wouldn't expect to see in here someone say I bought an Apple because it allows

me to look at flash, the videos; right? You wouldn't expect that?

A I'm sorry. That's not how we run the surveys.

Q Pardon?

A We ask specific questions on the survey, what you describe is more of an open-ended discussion. That's not how we run our survey.

Q But you wouldn't ask them did you buy the iPhone because it's so good at looking at videos and the use of flash?

A I would not ask them about the use of flash on the iPhone.

Q Because the iPhones don't do that?

A We don't run flash plug ins.

Q And you couldn't ask them whether or not they bought the iPhone because it has a replaceable battery because it doesn't

MR. MCELHINNY: This is beyond the scope, your Honor, and irrelevant to any of the issues in this case.

THE COURT: Overruled.

[698] THE WITNESS: We do not ask if they purchased the iPhone for the feature of a removal battery.

BY MR. PRICE:

Q Because it doesn't have one?

A It does not have a removable battery.

Q And you didn't ask them whether they bought The iPhone because it had a bigger—a 4.5 inch screen, or even a 4 inch screen?

A We do not ask them if they bought one for those reasons.

Q And those might be questions that are relevant to someone buying a Samsung phone; is that correct?

A You would have to ask them. I don't do market research for Samsung

Q That's fair enough.

So basically from these documents here, you can't make any conclusions as to why a Samsung purchaser bought a Samsung phone, correct? This is just what Apple people, the reason they—the reason you won, the reason they bought your phone?

A These are Apple surveys, yes.

Q And there's a section on ease of use, and you don't ask specifically what—I mean, you don't identify what "ease of use" is in the survey; [699] correct?

A We ask about ease of use. We don't further define it into subcategories, no.

Q And you believe that Apple—the iPhone has hundreds of features that go to ease of use; correct?

A There are many features that contribute to ease of use.

Q And this doesn't demonstrate that you lost a single customer to Samsung because of the Samsung appearance, correct?

A This survey does not ask that question of a customer if they bought a Samsung device due to Samsung appearance.

Q And it doesn't tell you whether a purchaser bought a Samsung device over a—over an iPhone

because Samsung had three of hundreds of features that the iPhone also has?

A This is not a survey of Samsung customers.

Q Now, and in your own surveys, you ask about a number of features; this something that's very important, you had those top two categories. Do you remember?

A We ask about a number of features and the importance into the buying decision.

[700] Q And when you asked them and looked at those relatively, though, ease of use, everyone for iPhone customers compared to others, you found that the, the—I'm sorry—that the design was ranked relatively lower compared to the other questions you asked?

A It was lower than some and higher than others.

Q So if you look at 143.22, for example, that's a page—

and I move that into evidence, your Honor.

* * *

THE COURT: It's admitted.

(Whereupon, defendant's Exhibit number 143.22 having been previously marked for identification, was admitted into evidence.)

[701] BY MR PRICE:

Q And when you looked at all of this, you found that the importance of attractive appearance and design is rated relatively lower than the other questions you asked?

A Again, not apparently you will the other questions. Just some.

Q What questions?

A Specifically, ease of use rated higher than appearance.

Q Others?

A There looks like—I would have to take a minute to look through.

Q Like multitasking, price, ability to download apps?

A Well, it depends on country by country. It varies. But those are sometimes rated higher.

Q And actually on ease of use, if you look at—if you—let me back up here.

Looking on the design, you also subscribe and pay for a survey done by a company called Com-Tech?

A I'm familiar with that.

* * *

[Re-Direct Examination of Philip Schiller]

[720] there an overlap or a connection between the design of the Apple phones and the Apple brand?

A Yes, I think there's a strong correlation

Q And what is that correlation?

A It is that people associate the Apple brand with great design, and they have intrinsic meaning together.

Q Sir, again, I think you testified that you were involved in the original iPhone product, is that correct?

A Yes.

Q And we've talked a lot about what the iPhone looks like and the design and the elements of that design; is that correct?

A Yes.

Q Was that design chosen so that it wouldn't match on somebody's pocket?

A No.

Q What was the theme of the overall design of the iPhone?

A We were trying to create a new breakthrough design for a phone that was beautiful and simple and easy to use and created a beautiful, smooth surface that had a touchscreen and went right to the rim with the bezel around it and looking for a [721] look that we found was beautiful and easy to use and appealing.

We had a term at Apple, in marketing, that we called the lust factor. Does this iPhone have appeal to people that they lust after it because it's so gorgeous. That's one of the things we were going for, a high lust factor.

Q During the four years that the iPhone was under development, were other designs considered at any times?

A Yes, there were many designs.

Q Would those other designs have cut on people's pockets.

A I don't believe so.

* * *

[742] And there was a hardware team, there was an industrial design team. So there were many teams and I was responsible for building the software team.

Q How did you go about recruiting the team that you used for the iPhone project?

A So this was—this was a real challenge. Steve gave me a, a difficult constraint, and that constraints was he didn't want, for secrecy reasons, for me to hire anyone outside of Apple to work on the user interface, meaning anything you were going to see on the screen, he didn't want me to hire anyone from outside of Apple to work on that So I had to find people from within Apple to work on that.

But he told me I could hire anyone in the company, I could move anyone in the company into this team to build the iPhone team.

And that was quite a challenge. The way I did it is I would, I would find people who were true superstars at the company, just amazing engineers, and I would bring them to my office and I would sit them down and I would say, "You are a superstar in your current role. Your manager loves [743] you. You're going to be incredibly successful at Apple if you just stay in your current role and keep on doing what you want to do.

"I have another offer for you, another option. We're starting a new project. It's so secret, I can even tell you what that new project is I cannot tell you who you will work for.

"What I can tell you is if you chose to accept this role, you're going to work harder than you ever have in your entire life. You're going to have to give up nights and weekends probably for a couple years as we make this product."

And amazingly, some tremendously talented people accepted that challenge and that's how I put together the iPhone team.

Q Why was this project so super secret?

A We—we wanted to build a phone for ourselves. We wanted to build a phone that we loved, that really was, you know, a computer in your pocket in some ways.

You know, it was the entire internet. It was an iPod, so it had music.

We wanted something that really, you know, was a great phone.

And we wanted to do it from whole cloth. [744] We wanted to figure out how to build something great without anyone else finding out what we were doing and leaking it.

So we tried keeping it incredibly secret so it would not leak out before we announced it.

Q At the beginning of the project, were you confident that you could do this, develop a new phone?

A Not at all.

Q Were there—if you had not succeeded—

Let's change history and go back to the person who didn't cross the street and all of history changes. If you had not succeeded, would there have been negative consequences for Apple?

A Absolutely.

Q For example?

A We were taking many of the key people at the company and moving them on to this project. We actually moved out other releases of our products because of the people that we took off those projects and put on to this.

And so had it not succeeded, not only would we have had the detriment of the lack of those products shipping, we wouldn't have had something else to fill in at the same time.

[745] And had we not succeeded, some of these great people would have burned out and probably left.

Q Where did this development project take place physically?

A We took a—one of the buildings we have up in Cupertino and we, we locked it down. We started with one floor. We locked the entire floor down. We put doors with badge readers, there were cameras, I think to get to some of our labs, you had to badge in four times to get there.

And at the time, we called projects by code names. They were colors. The original iPhone was called the purple project.

And so I referred to this, this building as the purple dorm because—

Q Where did that name come from?

A Well, very much like a dorm, people were there all the time. They were there at night. They were there on weekends. You know, it smelled something like pizza.

And, in fact, on the front door of the purple dorm, we put a sign up that said "fight club" because the first rule of fight club in the movie is you don't talk about fight club, and the [746] first rule about the purple project is you do not talk about that outside of those doors.

Q The people on the software—so you're doing the software and the user interface.

What hardware were you using during the development phase?

A As we were building the software, the hardware team was moving equally fast to build a whole set of incredible hardware, and as they would build something, they would give it to us; we would immediately put our software on top of that, find any issues, find things that had been fixed, give feedback, and then they would iterate.

And the key really was the touchscreen display. And that was a huge challenge.

Q And what kind of touchscreen? What were you using for a touchscreen?

A When we started the project, most touchscreens out there that people had in their devices were called resistive touch, and what that means is when you take your finger and you press down on the screen, it actually deforms the screen and changes the resistance so that the screen can tell that you're physically touching it

But this had two pretty large problems in [747] our eyes. One is it physically deforms the screen, so if you're looking at an image or a list of music on the screen, you see this warping of the text or the image. And so we didn't like the warping part.

The second is when you move your finger along, you have to press pretty hard, so your finger starts to fatigue over time as you're trying to scroll. And we were trying to create this illusion that you're literally touching the content and moving it with your finger, and you should be able to touch it really lightly.

So the hardware team set out to build something called capacitive touch, and capacitive touch allows

you to get your finger very close or even lightly touch the screen, it changes the capacitance and notices your finger there.

So the hardware team was building these early prototypes and later prototypes of a capacitive touch screen and we were taking advantage of that with our software.

Q Now, you've done operating systems and user interfaces for both computers and phones, and I want to ask you, what unique challenges were you facing to try to do this operating system, and the user interface particularly, on a small [748] touchscreen?

A There were a number of challenges. One of them was everything we dealt with before was based on a mouse and a keyboard, and here we were changing the entire user interface to be based around touch.

So we had to rethink everything about how big controls should be, what should happen when you touch, how do you scroll, how do you know where you are in a document, how do you know if you're at the end of a list or the end of a document?

Every single part of the entire device had to be rethought for doing touch. So we started with a brand new U/I, a brand new user interface, instead of something that was existing. So that's one.

Second is we didn't want to have a physical keyboard on here. I mean, if you look back to, you know, even 2005 when the engineering team started on this, smartphones all had physical keyboards You know, the most popular at the time probably was a BlackBerry and it had a physical keyboard.

And many people thought we were actually crazy to try to build something without any form of [749] physical keyboard, not a slide out one, not one on the front screen, nothing.

And so that was, in large part, a science project for us to be able to create a, an on screen touch keyboard that could work really well and then get out of the way when you weren't using it.

And then when you switched to a different language, you could add different keys.

So there's lots of advantages. But it was really difficult.

One other one was we wanted to give people the entire web, the entire internet experience, and the internet is designed for a much larger screen. When a web developer is building a site for the internet, they design it expecting a window like this on a computer.

And, yet, we have this very, you know, compared to that, small window, small screen, into that web world.

So we wanted to solve the problem of giving people the entire real internet on this device.

* * *

[751] capture the amount of the investment that went into creating these user interface features that you're talking about?

* * *

THE WITNESS: The investment in building a user interface that could work on this size device with your fingers and touch was immense. I know I personally dedicated years of my life to this, as did hundreds of people on this team.

And it was very, very difficult.

BY MR. MCELHINNY

Q Sir, if you would open your binder, please, to Exhibit 163. I'm sorry, Exhibit 1046. What is Exhibit 1046, sir?

A It is U S. Patent 7,864,163.

Q And are you one of the named inventors on this patent?

A I am.

///

* * *

[760] CROSS-EXAMINATION

BY MR. JOHNSON:

Q Good afternoon, Mr. Forstall.

A Good afternoon.

Q My name is Kevin Johnson. We've seen each other before; right?

A Several depositions

Q Okay.

So if I may approach, Your Honor, we're going to hand out some binders

(pause in proceedings.)

MR. JOHNSON. I think I'm just going to refer to the last one.

Q Now, the original iPhone was introduced, Mr. Forstall, in January 2007; right?

A Correct.

Q And let's go back a little bit further and talk about the development of the iPhone.

In 2006, your team was concerned that the speed of the processor that was going to be used in the iPhone was too slow compared to the speed of the processors used in other smartphones, including Samsung's smartphones; right?

A I had concerns that I wanted it to be as fast as possible, yes.

[761] Q. And in fact, you looked at what Samsung's phone did and what kind of processor it had; right? Do you remember doing that?

A Yes.

Q Okay. And the idea there was that, by looking at what your competitors were doing, potentially, that was okay; right?

A Yes.

Q Now, there were other instances when executives at Apple looked at what competitors were doing during the development of the iPhone; right?

A Yes.

Q And there were other examples when Apple executives looked specifically at what Samsung was doing in development of the iPhone; right? During the development of the iPhone?

A Yes.

* * *

[Re-Direct Examination of Scott Forstall]

[785] You mentioned on your cross-examination that there's nothing wrong with benchmarking.

A Correct.

Q Is there a point where benchmarking becomes something that you do think is inappropriate?

* * *

THE WITNESS: Absolutely. It's fine to benchmark, you know, for performance reasons.

[786] It's not okay when you then go and copy and rip something off. So there's a very, you know, strong distinction between benchmarking and copying

BY MR. MCELHINNY:

Q In the IOS area, are we going to see any documents in this case with side-by-side comparisons between Apple and Samsung products where you or any other manager at Samsung—at Apple have directed your people to copy a Samsung phone?

* * *

THE WITNESS: I never directed anyone to go and copy anything from Samsung.

BY MR. MCELHINNY:

Q Why not?

A We wanted to build something great and we thought we could build something better than anyone else had ever built on this. So there was no reason to look at what they did.

* * *

[Direct Examination of Justin Denison]

[866] BY MR. QUINN.

Q How long have you been in the mobile telecommunications industry and related industries?

A I've been in and around it for about 16 years now.

Q How long have you worked for STA, Samsung [867] America?

A Just over four years.

Q And prior to that, did you work for any other Telecommunications companies?

A I worked for Nokia Corporation prior to Samsung.

Q Have you done work—have you had any other employment in the telecommunications related field?

A Sure. I worked on the chip side at Texas instruments in their mobile business; and then before that, I worked for many years at Motorola in their handset and chip businesses.

Q All right So based on your industry experience, what is your understanding as to why there are rounded corners on these phones?

A Well, my simple understanding is that it's really for several reasons. One, it feels better in the hand Pointy corners certainly create stress on your hand.

It's more difficult to actually put a device in your pocket if it has sharp corners when you're trying to put it in your pocket, and pocketability is an important aspect of mobile devices.

It also affects durability. So if you [868] were to drop a device and it were to land on a sharp corner, it would be much more likely to crack than it would be if it were rounded, let's say.

Q Do you have a technical background yourself, sir, in terms of your education?

A My education originally was in engineering.

Q Could you please tell the jury what education you have?

A So I have a bachelor's of science in computer and electrical engineering from Rice University; a master's of science and engineering from The University of Texas at Austin; and then i have a master's in business administration from North Western University.

Q We've heard testimony about these phones having flat screens. Based upon your industry experience, do you have an understanding about why these phones have flat screens?

A I do.

Q And what is that?

A Well, first, since we investigated, we developed one phone that had a curved screen and one of the key issues of it is it manufacturability and cost.

To actually create a curved glass front, [869] let's say, you have to start with a big piece of glass and carve it down to create a curved portion of glass, and that costs more money. You start with more material and actually use—it results in lower yield.

In addition to that, you had problems with regards to the touch sensitivity of a curved glass front. So the actual increased thickness of the display at the edges, that's how it was shaped, interfered with the touch sensitivity of the display in those areas and introduced some, you know, visual defects, let's say, of the underlying screen underneath.

Q All right. Does—you know, does having a screen that is not flat have any optical effects in terms of the effect on the image?

A Yes. I tried to talk about that in my answer. It does create some distortion, if you will. I think it's due to refraction through the glass as the image comes out.

Q We've heard that the screens on these phones tend to be more or less kind of centered on the device. Do you have any understanding about why that's the case?

[870] A I do.

Q What is that?

A It simply—again, they're main components in a phone, and they're not all put behind the glass, if you will, behind the display for many reasons.

So you have to put them on the top and/or on the bottom of the display, which, of course, means that there has to be space above and below this way.

For instance, the speaker typically is above the display. The microphone is typically below the display.

There's keys, whether they're hard keys or capacitive keys, that are below the display, for instance.

And there's many other I/C components that you either would choose not to put behind the display or you necessarily have to put above or below just for reasons of even device thinness.

Q We've heard some testimony about the location of the speaker up near the top. Do you have any understanding about why speakers tend to be put at the top of the device?

A It's just closer to the ear that way.

Q And then we've heard about this, the spacing, you know, the metal or plastic along the side of [871]

the screen. Is there a term for that that's used in the business?

A The term I've heard is called the Black Mask.

Q And that's—where is that on the phone?

A That is kind of, as you were gesturing, along the sides of the screen, let's say, in between what you would see as the edge of the screen to the edge of the sort of outer edge of either the bezel, if there's a bezel, or the frame if there's a unibody frame, for instance.

Q Is there a reason why these phones all tend to have these black masks on either side of the screen?

A There is.

Q And what is that?

A Again, in my experience in the industry, actually people have tried to get rid of that, you know, because you actually want—you really do just want the device to be just one giant screen That's what we think consumers ultimately will want

But you have to have that for manufacturability reasons, as well as quality reasons. So manufacturability because you actually—there's nothing to hold the glass, per [872] se, on top of the device

And so what ends up happening is you actually glue or tape the actual glass using those thin borders on top of the actual underlying display, because there's a piece of glass and then underneath that is a display and you have to glue that on top.

Manufacturability—or I'm sorry. Quality reasons because if you were to drop a phone on its side, let's say, and there were no, you know, distance let's say, or nothing between the edge of the display and the edge

of the phone, there would be a very significant impact on the displays.

Displays can be fragile. They're extremely expensive to replace. They're one of the most expensive components on the device.

So that's why that exists.

Q Now, we've heard testimony about how these screens on smartphones have gotten larger and tend to be rectangular and tend to take up most of the real estate on the surface of the phone.

Do you have an understanding about why that's happening?

A Yes, I do.

[873] Q Why is that?

A Well, two parts. So the screens are rectangular because they're rectangular. That's how we developed technology. TV's are rectangular. So that's kind of appearance.

In terms of why the screen takes up the majority of the device, again, it goes to this design ideal, what we think consumers want at the end of the day, what I would want as a consumer, which is a giant screen, the giant window into my content and to my, you know, mobile web environment, things like that.

Q And I think you may have suggested this, but does that have something to do with being able to see movies better, photographs better, things like that?

A Yes, it does

Q And so these various features that you've talked about, did these tend to become common across most all smartphones?

A I would say that as the technology becomes available to do these things, that's when you see people introducing it into the market, yes

* * *

[878] Q But you said that Samsung's strategy is to beat Apple, beat HTC, beat, you know, all your competitors, to be number one

You're the head strategy guy at Samsung. Can you explain to us, in general, what is Samsung's strategy for becoming number one?

A Samsung's strategy to become number one is based on I guess what I would summarize as a recipe for our sustainable advantage in the market. The—

Q What's a sustainable advantage?

A So any time you're charting a strategy, let's say for a company or entity, I guess when you're someone like me thinking about the strategy, what you're trying to find is you're trying to find some unique capabilities and competencies that your company has that they can leverage that your competitors may not have. So assets, let's say that you can develop, incubate and leverage as a win.

And that's what we do at Samsung.

Q And based on your experience and your background, can you obtain a competitive advantage just by copying what somebody else does in the [879] market?

A No. That would not represent a sustainable advantage.

Q How is it that Samsung goes about trying to maintain a competitive advantage?

A Samsung's strategy, I guess in short, is to deliver the latest and greatest technology to consumers, more frequently than the competition, at as many points of distribution as possible—again, the carrier is an example of distribution point—leveraging multiple underlying technologies, including multiple operating systems, and at as many different price points as possible, i.e., premium, high price points, as well as lower end price points so that our devices are as accessible as possible to all consumers when they want to purchase.

Sometimes we refer to that as the democratization of the cell phone.

Q And how is that strategy that you've just described different from Apple's strategy in terms of the products it brings to market?

MR. LEE: I object. No foundation for him to know what Apple's strategy is.

MR. QUINN: Based on his competitive—[880] his job. I can lay some foundation, your Honor.

THE COURT: Please do that

MR. QUINN: All right.

Q In your job, are you required to understand what Apple's product strategy is in terms of what products it's bringing to market?

A We absolutely try to understand what our competitors are going to bring to market.

Q Would that include Apple?

A Yes.

Q HTC and all the others?

A Yes.

Q Okay. Based on what you see in terms of the products Apple brings to market, what is your understanding about what Apple's strategy is?

A Well, from my view, Apple is launching, or has been launching, the products at about one smartphone a year, okay, and they have charted a very specific path, Starting in 2007, whereby they launched that with one particular carrier on an exclusive basis.

They've continued to launch an undated product every subsequent year, as well as started to slowly expand their distribution to more carriers

[881] Q Well, so Apple, based on your observation, brings out roughly one new phone a year. Approximately how many new phones does Samsung bring out every year?

A We launch approximately 50-ish devices a year. I think in 2011, it was a little bit more than 50 devices.

Q And why is—why does Samsung do that, bring out so many different phones?

A In part it goes to what I described as our desire to bring out the latest technology when it's available, more frequently than the competition.

It also has to do with some of the uniqueness that we chose to bring to the carriers in terms of the portfolio.

Q Does Samsung invest in its brand and its name, Samsung?

A We invest quite a bit in the U.S. on behalf of Samsung.

Q Do you know how much Samsung invested in its brand?

A Samsung, STA I should say specifically, has invested, let's say, about a billion dollars last year, 2011, on marketing their brand.

Q In the U.S.?

[882] A In the U.S.

Q That was one billion with a "b"?

A Yes, it was.

Q All right. Does—is Samsung proud of its name?

A Absolutely.

Q Does Samsung put its name on its products?

A It's on every product.

Q Was there a time period where there was a tablet that Samsung brought where the name wasn't on the front, it was on the back?

A There was, yes.

Q And can you explain why that was?

A So that—I believe you're referring to the original Galaxy tab 10 1.

Q You tell me

A Okay. That's the way I remember it, anyway.

So we did not originally put the Samsung brand on the facade, the front face of that product, because the process by which you, I guess you etch, I think it's some kind of laser etching, you etch the actual brand into the display was causing the glass to interfere with the actual, you know, kind of hidden wires, if you will, for the touch sensitivity on the display. So it was [883] creating manufacturing problems in short.

Q And were those fixed?

A They were.

Q And after that, was the Samsung name put on the front?

A It was.

Q Let's turn now to research and development. Does—do you know how much Samsung spent on research and development between 2005 and 2010?

A Samsung spent, and this is sec, so Samsung Electronics Corp., spent approximately $35 billion over the course of those years on research and development.

Q And do you know how many engineers are employed at Samsung?

A There's approximately—I think there's more than 50,000. I'll just say approximately 50,000 engineers globally.

Q And how many of those work in research and development?

A Oh, I would say they all work in research and development

Q And do you know how many designers are employed at Samsung?

[884] A I believe there's upwards of 1,200 designers at Samsung.

Q Does Samsung make that investment in marketing and research and development and employ those designers and employ those engineers all so it will be easier to copy its competitors?

A No.

MR. LEE: Well—

BY MR. QUINN:

Q Do you know where Samsung ranks annually in the U.S. in terms of patents issued by the United States patent and trademark office?

A I do.

MR. LEE: That's irrelevant.

THE COURT: overruled. Go ahead, please.

BY MR. QUINN:

Q Where does Samsung rank?

A Samsung has been ranked number two patent awardee in the United States every year since I've been at Samsung.

Q So—and that would be? Remind us what year it was.

A I started at Samsung in 2008.

Q And has—you know, in your work at Samsung, [885] and indeed working for competitors before, did you become—did you come to learn about innovations that Samsung brought to, to mobile telecommunications, you know, firsts, things that Samsung did first in the industry?

A Sure I did.

Q And can you tell the jury what some of those are?

A Certainly. For instance, Samsung—and this was when I was, as you said, at other competitors, but I saw that from a competitor's point of view—Samsung launched the first MP3 phone in approximately the year 2000, as I recall.

Samsung launched the first device to be sub-ten millimeters thick. Okay, that's kind of an important

milestone, let's say I think some people called it the first wave of ultrathin devices in the market That was around 2001, I believe.

Samsung was the first company to launch a device with voice recognition. That, I believe, was in 2007 if I'm not mistaken.

Samsung also launched the first camera phone globally. That was done around the year 2001.

[886] And then more recently, Samsung was also the first manufacturer to launch devices with the super AMOLED, a-m-o-l-e-d, super AMOLED technology with the first family of Galaxy s devices, and that was in 2010.

Q What is AMOLED technology?

A AMOLED technology, I think it stands for active matrix organic light emitting diode, something to that effect.

It's a type of screen technology that Samsung has developed and employed in its own products and it, simply speaking, allows for a much faster response time.

So images can appear with less blur. It allows for more contrast in brightness.

And it also allows for better thinness of the device because the original super AMOLED technology included the—this was, i guess, a breakthrough of sorts. It took the touch sensitivity of a display, which is normally separate from the actual display in past phones, and actually combined the two.

So it essentially eliminated a layer of display so it allowed phones to be thinner because the displays were thinner.

[887] Q Let's—we've heard some testimony from Apple's point of view about advertising and marketing of Apple products.

Are you familiar with how STA advertises and markets from a strategic Standpoint, promotes its products in the United States?

A Yes, generally speaking, I am.

Q And what is Samsung's strategy in terms of advertising its products?

A Well, really all we're trying to point out to consumers is I guess what you would call a brand promise or a brand message, and it's tied back to that strategy I talked to you about.

So it only works when everything is linked together. So we try and show consumers in our advertising that we've brought them the latest and greatest technology, that we're bringing it to them faster than the competition, that you can count on Samsung to do that continuously. You can trust us

Q For different products, does Samsung have, you know, different launch messages that they associate with those products?

A At times we'll tweak the launch message depending on the product, yes.

[888] Q Can you give the jury an example of that?

A For instance, for the Galaxy S 2 launch in the United States, I think the tag line was something like "the next big thing."

Q I mean, does—does Samsung ever seek to sell its products by causing consumers to be confused into thinking that, you know, you're—you think you're

buying an Apple product but you're actually getting a Samsung product?

A No. We want consumers to hear our message, understand that our message is ours, and go out and buy our device.

* * *

[897] Know what that is on the left-hand side?

A That is an Apple retail store.

Q And then in the middle, what is that picture?

A As it's labeled and as I'll describe, it's what we call a store in a store. So it's actually—it's actually a small piece of real estate, if you will, inside a store that is distinctly Apple.

Q Okay. And when you told us earlier that Apple products are always segregated in stores, is this an example of that?

A That is one example of it, yes.

Q If you go to a, an AT&T store, is a consumer likely to encounter a Galaxy S 2 phone side-by-side with an iPhone?

A You certainly will not encounter any Galaxy phones on the Apple display.

Q In terms of—are there some carriers, each—for example, would it be true to say at a T-Mobile store, you're not going to find any AT&T phones?

A That's right.

Q Does T-Mobile sell the iPhone?

A T-Mobile does not sell the iPhone.

Q Ever?

[898] A They have not ever sold the iPhone.

Q So would a consumer ever encounter a Samsung phone for sale in the same store as an iPhone in a T-Mobile store?

A They would not.

Q Does Sprint carry the iPhone?

A They do.

Q And for how long has Sprint carried the iPhone?

A Since I think it was October of last year.

Q And how about Verizon?

A Verizon has carried it since, I believe, February of last year.

Q So before those dates when those carriers started carrying the iPhone, consumers who wanted to use those carriers, would they have been able to buy an iPhone there?

A Yes.

Q Before those dates?

A Oh, no, I'm sorry. Not before those dates, no.

Q I mean, do you have any information about how, you know, what consumers do or—let me ask it this way.

As the chief strategy officer, is it [899] important for you to understand how a consumer goes about making a decision to buy a smartphone?

A Sure, yes.

Q And is that something that you've studied and collected information on?

A Yes.

Q Is the decision—based on what you've learned, is the decision to make an investment in buying a phone, is that typically something that's done, you know, on the spur of the moment? Or without a lot of study and assessment?

A No. In fact, we find consumers do a considerable amount of studying They take a considerable amount of time, actually, to make their phone choice.

Q Do you have any information about how much time, in average, a consumer spends in deciding what type of phone to purchase?

A We find the average consumer takes approximately six weeks, about one and a half months, to make their phone purchase decision.

[900] Q Well, I mean, have you personally heard of instances where consumers bought a, a Samsung phone thinking it was an iPhone, an Apple product?

A I'm not aware of any examples of that.

* * *

[931] UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

Case No. C-11-01846 LHK

APPLE INC., a California Corporation,
Plaintiff,

vs.

SAMSUNG ELECTRONICS CO., LTD., a Korean business entity; SAMSUNG ELECTRONICS AMERICA, INC., a New York corporation; SAMSUNG TELECOMMUNICATIONS AMERICA, LLC, a Delaware limited liability company,
Defendants.

San Jose, California
August 6, 2012

Transcript of Proceedings before the Honorable
LUCY H. KOH United States District Judge

Volume 4
Pages 931-1296

Appearances on next page

Official court reporter: Lee-Anne Shortridge, CSR, CRR certificate number 9595
Irene Rodriguez, CSR, CRR certificate number 8074

* * *

[946] Justin Denison, Being called as an adverse witness on behalf of the plaintiff, having been previously sworn, was further examined and testified as follows: Go ahead, please It's 9:00 a.m.

MR. QUINN. Thank you, your Honor.

As-on direct examination

BY MR. QUINN:

Q Good morning, ladies and gentlemen. Mr. Denison.

A Good morning.

Q Last friday you told us that in any given year, Samsung introduces about 50 new phones in the United States; is that correct?

A That's about right, yes.

Q Can you tell us, at any given time, approximately how many phones, including models that aren't introduced that year, Samsung has for sale in the United States?

A I would just estimate, again, it could be as many as 100 that are in the market at any given time let's say.

* * *

[951] MR. QUINN: So these two phones, Exhibit 1027, the Infuse 4G and the Galaxy Vibrant, Exhibit 1010, are being passed to the jury.

Q Now, Samsung sells other Galaxy S phones to other carriers?

A That's right.

Q And if we could look at the Exhibit 1011, the Captivate; Exhibit 1013, the Fascinate; Exhibit 1012, the Epic 4G; and the Galaxy S 4G.

Do you have all four of those? We're still fishing one out.

A Yes, I have them all.

Q Now, why does Samsung sell different Galaxy phones to each of the different carriers?

A Well, generally speaking, the carriers themselves want to differentiate the portfolios they offer of both devices, as well as services, from each other.

So they typically ask us for some element of uniqueness in even the physical design of the products that they sell versus their competition. Hence all the Galaxy S I devices looked distinctly different.

Q And does Samsung work with the different [952] carriers to come up with differences for the different Galaxy phones?

A Yes, yes, absolutely.

* * *

[955] BY MR. QUINN:

Q Did the screens get larger as the generations of Galaxy phones went on?

A They did, as well the screen technology itself advanced.

Q Can you tell us whether or not that was kind of a trend in the industry, that screens would get larger on smartphones?

A It definitely has been from Samsung's perspective.

Q And were additional features added over time over the different generations of Galaxy phones?

A Yes.

[956] Q And can you tell us whether or not, as the—a there were new generations of Galaxy phones and the screens got larger and new features were added, were the phones more successful than the previous generations?

A Yes, they absolutely were

* * *

[973] Q All right. We've heard testimony thus far from Apple witnesses that they believe that Samsung ripped off Apple and that they were outraged by it, that they felt outraged.

And let me just ask you, what is your reaction to being accused of ripping off Apple?

A I find it very offensive.

At Samsung, we're very, very proud of the [974] products we produce, of all the hard work that goes into bringing those products to market.

We've been in the mobile business for 20 years globally, just over 20 years. We've been in the mobile business in the United States 15 years.

And the last four years, we've been number one in the U.S. Market.

What we would—what we would like to—what we would like to be able to do is simply just compete in the market, just continue what we've been doing for the

last 15 years in the U.S. Market and continue to try and deliver the best products with the latest technology more quickly than our competitors do as many carriers as possible within reach of as many consumers as possible. That's simply what we'd like to do.

Q Are there some cell phone features that Samsung has added to its phones before Apple did and then Apple later on added those features to its phones?

A Yes.

Q And could you name what some of those are, please?

A Well, one, for instance, is voice, voice recognition, voice command capabilities. We had [975] that in our phones prior to Apple.

One is advanced screen technology. We launched super AMOLED and then later on Apple launched another advanced screen technology following us

We launched the first cloud-based music—or cloud-based video service in the U.S. And did that prior to Apple.

Q And then when Apple later offered those features in its phones, did you feel like they'd ripped you off?

A No, not really.

Q Were you outraged?

A No, I wasn't.

Q If Apple comes out, say, in the iPhone 5 with a screen that's bigger than the existing screen, that's more like the size of the Galaxy 2 screen, are you going to regard that as copying?

A No.

* * *

[Re-Direct Examination of Justin Denison]

[997] BY MR. QUINN:

Q The Omnia, what was the operating system on the Omnia?

A That was Windows Mobile separating system.

Q So that wasn't an Android operating system?

A It was not.

Q And after that, did Samsung come up with Smartphones that were powered by Android operating systems?

[998] A Yes.

Q And did, in fact, Samsung notice the iPhone from your perspective at least, Samsung America, did people notice the iPhone?

A Sure.

Q And did they notice it was successful?

A Sure.

Q Can you tell us whether or not people at Samsung felt challenged by the success of the iPhone?

A Yes, absolutely.

Q If we could look at that last exhibit that counsel was showing you, if we could look at the pages ending in 7377, that same e-mail. And up at the top, if we could enlarge those first couple of lines there, the author says, "I have confidence in our products' h/w."

What does h/w mean to you?

A Hardware, and more specifically in this context, it says exterior design afterwards.

Q "In their exterior design," right?

A Yes.

Q This is the same person that Mr. Lee is quoting?

A Yes, I believe so.

[999] Q "And in their quality. But when it comes to the ease of use of our UX, I lack such confidence." now, what is the UX?

A I believe that's the user experience.

Q And then if we go down blow about two-thirds of the way down, there's a sentence that begins, "our most important asset is our screen," and it goes on to say, "it's very important that we make screen size bigger and in the future mobile phones will absorb even the function of e-books."

Did, in fact, Samsung go ahead and bring to market smartphones where the screens were bigger?

A Yes.

Q Bigger than the iPhone screens?

A Yes.

* * *

[Direct Examination of Peter Bressler]

[1008] Q Let's turn to the work you did in this case, Mr. Bressler.

Did you conduct analysis for this case to determine whether or not certain Samsung products infringed one of the Apple design patents in the case, the D'677, the D'087 or the D'889?

A I did.

Q And have you formed any opinions about that topic?

A Yes. It is my opinion that there are a number of Samsung phones and two Samsung tablets that are substantially the same as the designs in those patents.

* * *

[1014]

Q Okay. Using these eight figures of the '677 patent, can you walk the jury through the design that is claimed by these pictures?

A Yes. Perhaps since it was just discussed, you can see from the shading that what's being claimed in this design is the front face of an electronic device that is black in color.

If you notice the diagonal lines, or diagonal hatching that runs from one corner to the other, or all the way across the front face, those are a convention for indicating that it's reflective or transparent or translucent.

And in this particular case, I see that it's transparent because you can see at a rectangular, or what we're presuming to be a display area that is centered in that rectangular field that's defined that it goes end to end across the face as transparent.

Q And what figure are we looking at here, Mr. Bressler?

A I'm sorry. We are—I tend to talk off of Figure 1 because to me, all of the elements are seen in there

But for referencing the things I'm [1015] saying, you could also look at Figure 3 that shows it on a straight on view.

But you shouldn't not look at the other views because, for instance, Figure 5 and 8 and 7 and 6 show the side and end views, and because there is a single, solid line there, those are indicating that all it's claiming is that front face. Okay.

And the other convention is that the broken lines, or what you might call dotted lines, that are showing other illustrated portions are illustrating portions of what might be a design but are not being claimed in this patent.

So the only thing being claimed is the area in the solid lines.

A couple other details that I wanted to point out, which you can see both in Figure 3 and Figure 1.

As I mentioned, there is this rectangular, I think I mentioned, there's a rectangular display area centered in the device that has lateral borders on either side that are thin on the side and then they're wider on the top and bottom, and there is a lozenge shaped ear slot, basically, or receiver slot in the upper border [1016] area.

And the dotted lines are even a little bit on the face there where they're defining an area that's not being claimed.

So when you look at this face, it doesn't matter to you what is in that space because nothing is being claimed there.

Q And are you referring there to the white circle inside the dotted lines?

A Yes.

Q Okay What do these figures tell you about the shape of the front face of the device that's claimed?

A It's indicating that the shape of the front face of this device is a very specific rectangular proportion as indicated on the drawings, as you can see perhaps in Figure 3, the length and width proportion in comparison to the curves on the corners, that's to provide a very specific impression or design.

Q Now, I'd like you to turn to the '087 patent, that is Exhibit JX 1041 in your binder.

And for the record, I think this is already admitted, your Honor.

Could you look at the '087 patent? And [1017] looking specifically at the first printed page, tell the jury when this patent was issued and when it was first applied for.

A This patent was issued on May 26th, 2009. And it was first applied for in the parens 63 on January 5th, 2007.

Q Okay. Could you turn to the next page and to the section headed claim. And tell the jury what is the design that is claimed in the '087 patent?

A Again, there is a single claim in the patent, which is "the ornamental design of an electronic device substantially as shown and described," and then there's the list of figures or drawings that you're going to see in the rest of the patent.

Q Now, in this patent, there's a much longer list of drawings, right.

A Yes.

Q There's not—instead of eight, there are 48?

A Correct.

Q Can you explain to us why there are 48 drawings rather than 8 drawings in this patent?

A This patent covers seven different versions, or combinations of elements, of different designs which are called embodiments, and all of those embodiments are covered by the patent, but they're [1018] covered separately.

Q And each of them has eight drawings?

A I'm sorry. Each of them has eight drawings, Figures 1 through 8, then Figures 9 through 16, et cetera, for six different versions.

Q So 6 times 8 is 48?

A Yes.

Q So 48 figures is 6 embodiments?

A Correct.

Q Okay. Could we look at the second embodiment?

And, Thomas, if you could put up on the screen side by side the pages that show the eight figures for the second embodiment, which is Figures 9 through 16.

And you'll find those in your binder as well, Mr. Bressler?

A Yes, I have them.

Q So could we see the actual figures.

Great.

Using the drawings that are incorporated into the claims of the '087 patent, could you walk the jury through the design that is claimed by these figures?

A Yes.

This design is claiming the front face, [1019] the flat front face and the bezel of an electronic device. As you can see by the broken lines, again, it's not claiming the body. It's claiming the bezel and the front face.

That front face is a rectangular design with rounded corners in the proportions and the scale, length to width and proportional ratios that are being shown here in the drawing.

And it includes a rectangular display, as did the other patent, with narrow borders on either side and wider borders top and bottom.

And it shows that rectangular front face area as not having any specification. It doesn't have diagonal cross action, it doesn't have sheeting. So that flat front surface could be any color. It could be transparent. It could be anything. Nothing is being specified.

The other part of it to notice is in the side views that, again, this is specifying a front face and bezel that are absolutely flat.

* * *

[1049]

BY MS. KREVANS:

Q Okay. Also on the table in front of you should be exhibit JX 1019, which should be the Galaxy S 4G.

A Yes.

Q Do you have that, Mr. Bressler?

A I do.

Q Is this one of the Samsung phones that you analyzed?

A It is.

Q And what conclusion did you come to about whether the Galaxy S 4G infringed either the D'677 or D'087 patent?

A It's my opinion that this phone, the design of this phone would be considered substantially the same as the design of the '087 and '677 patents by an ordinary observer

Q So this is a phone that you found infringing?

A I found it infringing, yes.

* * *

[1090] Did you perform an analysis of whether the appearance of any element in the design of the three Apple design patents that you analyzed was dictated by function?

A I did.

Q And did you, as a result of that analysis, conclude that any of the visual elements of the Apple design patents were, in fact, dictated by function?

A I concluded they—none of the elements were dictated by function.

Q Why did you conclude that none of the elements of the Apple design patents were dictated by function?

[1091] A For a couple of reasons. One, in my experience, I know full well that virtually every

function that's included can be designed with a different appearance.

Secondly, I reviewed and identified a number of different alternative designs that performed the same or similar functions to those that were in the patents.

* * *

[Cross Examination of Peter Bressler]

[1110] Q Okay. Now, let's go to JX 1041 and let's display Figure 43. Let's just highlight, pull this out.

This is the '087 design patent, front view; correct?

A That is a view of it, yes.

Q That's the front view; right?

A Yes, of one of the versions.

Q Okay. So I'm going to ask—I'm going to ask you some questions about this '087 design patent.

Are you with me?

A I am.

Q So taking your principle where you look at the prior art in connection with your infringement analysis, let's look at the prior art.

Let's go to DX 511. And this is a piece of prior art that you reviewed; correct?

A It is.

[1111] Q And if we can go to page 3 and pull out the top image? Do you see that, sir?

A I do.

Q And can we put this next to the '087, Figure 43.

So you would agree with me that the prior art here is rectangular?

A Yes.

Q With rounded corners?

A Yes.

Q You would agree with me that it has a lozenge shaped spot here for a speaker?

A Yes.

Q You would agree with me that this has got a large display screen?

A Yes.

Q And you would agree with me that that display screen is balanced vertically and horizontally within the design?

A Yes, though I believe this is an inappropriate comparison in analyzing a design patent.

Q This is prior art; right?

A Yes.

Q And so it's appropriate to look at prior art when you're conducting the infringement analysis; [1112] right?

A My understanding of the rule is you're to compare all figures of the patent, all the—

Q Okay. This is one figure—is this one figure?

A It is one figure, yes

Q Okay So it's okay to compare this; right?

A If you wish.

Q Okay. And it's got a very narrow lateral border to the screen? Do you see that?

A I do.

Q And a thicker top and bottom border of the screen?

A Yes.

Q And it's got some sort of thing that looks like a bezel going around it?

A It looks like one in that view, yes.

Q Okay. Now, let's go to another piece of prior art, the DX 728 design patent. So that's DX 728. I'm sorry.

That's the Exhibit number, your Honor. It's actually JP 383 design patent.

You reviewed this piece of prior art as well; correct?

A 383, yes.

[1113] Q You agree it's prior art?

A Yes.

Q And if we could go to page 9 and pull out the second image. Put that up next to—on the right we have the '087 and on the left we have DX 728. Do you see that?

A I do.

Q This is a piece of prior art that also is rectangular?

A Yes.

Q Rounded corners?

A Yes.

Q Large display screen?

A Yes

Q Minimalist face?

A I don't know that I can agree with that because in the other views, it's not so minimalist. It has a plastic cover over the unit itself.

Q The lateral borders are very narrow?

A Yes.

Q And the top and bottom border above and below the screen are wide?

A Yes, though if I recall the patent, there are virtually no borders on the sides of the internal unit of that, along the sides.

[1114] Q These spaces above and below the screen are wider?

A Yes, they are.

Q And the screen is balanced both horizontally and vertically in the design?

A Yes.

Q Okay. Let's go to another piece of prior art. This is DX 727.

Your Honor, I forgot—I neglected to move a couple of these Exhibits into evidence, so I might as well do that now.

THE COURT: Okay.

MR. VERHOEVEN: I move into evidence DX 511, which is the Japanese design patent 638. The court. all right. Any objection?

MS. KREVANS: No objection, your Honor.

THE COURT: It's admitted.

(Whereupon, defendant's Exhibit number 511, having been previously marked for identification, was admitted into evidence.)

MR. VERHOEVEN: DX—

THE COURT: 728.

MR. VERHOEVEN: 728, Japanese design patent, 383.

[1115] THE COURT: No objection, right?

MS. KREVANS: No objection.

THE COURT: That's admitted.

(Whereupon, plaintiff's Exhibit number 728, having been previously marked for identification, was admitted into evidence.)

MR. VERHOEVEN: And now we're moving to admit DX 727, a Korean design patent, 547, which we just put on the screen. We move that into evidence.

MS. KREVANS: No objection, your Honor.

THE COURT: All right. That's admitted.

(Whereupon, defendant's Exhibit number 727, having been previously marked for identification, was admitted into evidence.)

BY MR. VERHOEVEN:

Q So going back again, this is another piece of prior art; right?

A I can't read the Korean to confirm it, but I'll take your word for it.

Q Okay. Well, let's go to page 6 of the translation Do you see up here it says publication date, July 6th, 2006?

[1116] A Yes.

Q Okay. That pre-dates both the '087 patent and the '677 patent filings; correct, sir?

A I believe it pre-dates the filing, but I'm not sure—I don't think it pre-dates the conception date that's been identified.

Q Well, you agree it pre-dates the filing date?

A I—without looking at the patent, I'm not 100 percent sure, but it might.

Q Well, would you agree that that's approximately six months before the iPhone was ever even announced publicly?

A Yes.

Q Now, let's go to page 7, the second image on page 7 and pull that out. Put that next to the '087.

So DX 727, rectangular in shape?

A Yes.

Q Rounded corners?

A Yes.

Q It's got a big display screen; yes?

A Not as big, but yes.

Q It's got a lozenge shaped speaker slot? Yes?

A Yes.

Q It's got lateral borders that are narrower [1117] than the top and bottom borders?

A Correct. It does not show a bezel.

Q The screen is balanced; right?

A I'm not sure what you mean by "balanced."

Q Horizontally and vertically centered?

A Yes. Again, I believe this is a distorted view of how one should read a patent.

Q Now, let's also look at JX 1093, I think we have a physical—that's a physical Exhibit, your Honor.

Can I just see that and make sure it's the right one?

You've seen this physical device before; correct?

A Yes.

Q It's the LG Prada phone?

A Yes.

Q Can we put up SDX 3750 on the screen, please.

MS. KREVANS: Your Honor, there's a limiting instruction with respect to this device, that it is not prior art for purposes of any validity—

MR. VERHOEVEN: I dispute that, your Honor.

THE COURT: Is this the KE850?

[1118] MR. VERHOEVEN: No, it is not, your Honor. This is not—this is in evidence.

MS. KREVANS: It was subject to a limiting instruction—

THE COURT: Motion in limine number 3, there was a—this is coming in. Overruled please.

Go ahead, Mr. Verhoeven.

(Whereupon, plaintiff's Exhibit number 3750, having been previously marked for identification, was admitted into evidence.)

MR. VERHOEVEN: Thank you, your Honor.

Q Now, I've got a picture of this phone on the slide SDX 3750. Do you see it on the screen?

A I do.

Q That's the phone you have in your hand; right?

A It is.

Q Okay And this phone is also rectangular in shape; correct?

A Yes.

Q Rounded corners?

A Slightly rounded, yes.

Q What was that?

A They're slightly rounded.

[1119] Q Okay. Is there something different than slightly rounded in the '087?

A I believe the '087 looks more—the overall impression of the '087 is more rounded than these.

Q Okay. And that's a distinguishing difference?

A Within a given range, yes.

Q So if the corners are more sharply rounded, that's a distinguishing factor?

A Within the overall impression, yes.

Q Okay. It has a lozenge shaped slot for the speaker?

A Yes.

Q It's got a large touchscreen?

A I don't know that it's a touchscreen.

Q Well, it's a large screen?

A Yes.

Q Centered?

A It seems so.

Q And the lateral borders are narrower and the top and bottom borders are wider?

A Yes. And it also has a huge button across the bottom.

Q So all of this art we've looked at is rectangular in shape with rounded corners; right?

A I guess you could look at it that way.

[1120] Q Is there a way for us to put each of those images together on the screen? Mr. Fisher, I'm sorry.

There we go. So here we've just put all of these images we've looked at next to the '087. Do you see that, sir?

A I do.

Q In all of these other design patents and this phone are similarly rectangular to the '087, right?

A Yes.

Q And they all have big screens; right?

A Yes.

Q Some of them have lozenge shaped earpieces; right?

A Yes.

Q They all have minimalist design?

A I don't know what that means.

Q You don't know what minimalist design means?

A Not in your comparison of these one views of all these phones.

Q Okay.

A This is not how you review figures in patents.

Q Okay They all have narrower lateral borders of differing widths, but they all have narrower lateral borders?

[1121] A Yes.

Q And larger borders above and below the screen; right?

A That's correct.

Q So—

A At least three of them don't have bezels.

Q And that's important, right, that's important, the absence of a bezel takes you out of substantial similarity, doesn't it?

A In the '087 patent, it does.

* * *

[1198] Q Let's play an excerpt from your deposition, Page 210, lines 14 through 24.

(Whereupon, a videotape was played in open court off the record.)

BY MR. VERHOEVEN:

Q That was true testimony when you gave it?

A That was part of the testimony that I gave that it turns out was, was going both directions depending on—because I misunderstood the use of the term "function" and the question at that time.

Q So that testimony is not true?

A The testimony is true. I was referring to the function as it relates to a design patent, which means they can be any shape and location and size.

And in that sense, it's not functional in that shape, location or size are not required by as functions.

Q Can we put up the hard copy transcript of what we just watched, page 210, lines 14 through 24.

So this is 210, line 14 through 24. April 24th, 2012 deposition.

Sir, do you see the question, it doesn't talk about the design patents, it talks about smartphones.

[1199] Do you see that, sir?

A I see that's what it says.

Q That's what you were asked; right?

A I believe it was asking me about as it related to design patents.

Q But it doesn't say that, does it?

A I don't see it saying that.

Q Using your definition of functional, isn't it true that your opinion to this jury is that the use of a transparent cover over a display is not necessary for functional?

A In defining "functional" as not being driven by the shape and location and it not being—I believe

that's true. I think the fact that it is clear on a smartphone needs—yes, that's functional.

Q Let's play page 209 from the same deposition, lines 9 through 21.

(Whereupon, a videotape was played in open court off the record.)

BY MR. VERHOEVEN:

Q Do you stand by that testimony?

A I believe that's what I may have just said a moment ago.

Q So it's your testimony to this jury that [1200] having a clear cover over the display element is not something that's functional?

A From a performance standpoint and operations standpoint, I believe it's absolutely functional.

Q But just not in your analysis? Is that right?

A If it's clear that it's a—if it is clear in the design patent that it's a display, then one would expect it to be transparent over that display

Q But your conclusion, when you were asked under oath about whether use of a cover that is transparent or a display is functional, is that it's not functional as you've defined it; right?

A I was talking about its shape and location and size and the design patent definition of functionality.

Q And you also testified that—well, let me ask you, in your view, is locating the speaker in the upper portion of the front face of a smartphone something that's not functional as you use that term in your expert reports?

A Defining the precise location from an aesthetic standpoint, is not driven by function.

Q So that's no, it's not functional?

A With the conditions that I just said, yes,

* * *

[1207] Q So I want to focus on that statement that you made in your reports and you're making to the jury that these alternate designs or equally functional. Are you with me?

A I am.

Q Okay. Isn't it true, sir, that the extent of your analysis of whether they were equally functional was simply reviewing the packaging of these other phones and turning them on to see that their operating system was running?

A Actually, most of my analysis did not entail doing those things. Most of it entailed reviewing the design of the phones, the appearance and design of the phones.

Q So—

A How they function—how they function really was insignificant to me.

Q How they function—oh, how these alternative design phones functioned was irrelevant to you?

A It was certainly a lesser element than whether there were alternative designs for something that did the same thing that it was claiming on its

* * *

[1297] UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

Case No. C-11-01846 LHK

APPLE INC., a California Corporation,

Plaintiff,

vs.

SAMSUNG ELECTRONICS CO., LTD., a Korean business entity; SAMSUNG ELECTRONICS AMERICA, INC., a New York corporation; SAMSUNG TELECOMMUNICATIONS AMERICA, LLC, a Delaware limited liability company,

Defendants.

San Jose, California
August 7, 2012

Transcript of Proceedings before the Honorable
LUCY H KOH United States District Judge

Volume 5
Pages 1297-1637

Appearances on next page

Official court reporter: Lee-Anne Shortridge, CSR, CR certificate number 9595
Irene Rodriguez, CSR, CRR certificate number 8074

* * *

[Cross Examination of Susan Kare]

[1366] BY MS. KREVANS:

Q Let me strike that and ask a new questions so you have it in mind.

Is this claim limited to any particular kind of graphical user interface for a display screen?

A It doesn't say. It says ornamental design for a display screen.

Q Okay. Underneath the claim where it says "as shown and described," it has a list of figures.

Did you review the figures in this patent?

A Yes.

Q Okay. Could we look at Figure 1 of the patent, Thomas?

Is Figure 1a—well, what are we seeing on the screen here, Dr. Kare?

A Figure 1 is the image that is the D'305 patent. That's the graphical user interface ornamental design.

[1367] Q Okay. We just saw on the screen both a black and white and a color version of Figure 1. Are both of those in the patent?

A Yes.

Q Okay. Looking at the color version of Figure 1, could you explain to the jury what are the features in Figure 1 that contribute to the overall visual impression it creates?

A Yes. We're looking at the rectangular area that's within the dotted line that goes around the outside.

And I see there's a regular grid of icons that are square with rounded corners, they're about the same distance apart, they're colorful, there's a mix of design styles, there's a label underneath each icon that's upper and lower case, sans serif, light against the dark background.

And at the bottom of the screen there are four icons and there's a graphic behind them that serves to separate them from the rows and columns of icons above.

* * *

[1372] Q Did you form any conclusions, Dr Kare, about whether any Samsung phone had a display screen which had a design that produced the same overall visual impression as the D'305 patent?

A Yes.

Q Okay Did you form that conclusion as to every Samsung phone that you looked at?

A No.

* * *

[1405] Q Now, you mentioned that there was a fourth topic that you were asked to study, and that was whether there were things that suggested to you that Samsung may have copied the iPhone home screen graphics.

What did you do to look at that topic?

A I—there were two, two phases to this.

The first is I went back and I looked at images of every screen I looked at and I thought about how many similarities recurred over and over as a pattern that

seemed to me that all these similarities from phone to phone was beyond coincidental .

[1406] And just—you wouldn't be likely to have so many things be the same if one thing were developed without using the other as a guide.

So it seemed likely to me that Samsung used the iPhone screen graphics as a guide.

Q And you mentioned there were two phases. What was the other phase?

A The other phase was a document I was shown.

Q Okay. Could you look at exhibit PX 44 in your binder.

What is exhibit PX 44, just generally?

A It's a Samsung document I was shown by Apple counsel.

Q Okay. Did you consider this document in forming your opinions?

A I, as I said, from my own—based on my own experience, based on my own analysis, I thought there was a likelihood that the iPhone could have been used as a guide for the graphics in the Samsung phones I saw.

But there was information in this document that supported my own opinion.

* * *

[1410]

BY MS. KREVANS:

Q Dr. Kare, did the contents of exhibit 44 confirm in any way—strike that.

Can you tell us whether—what conclusions you drew from the contents of exhibit 44, but reference, please, in your testimony if you talk specifically, only the contents of pages 122 and [1411] 131.

A I'm sorry. Can I explain what was on another page and how it affected me without showing it?

MS KREVANS: your Honor, I think this would be—

THE COURT: I'm going to allow that. Go ahead.

THE WITNESS: Can I read from it and describe the illustration?

MR. VERHOEVEN: We would object to that, your Honor.

THE COURT: Why don't you just describe the illustration.

BY MS. KREVANS:

Q Why don't you just describe it, Dr. Kare?

A Okay. I saw, on a series of pages, where the—at the top of the page, it talks about some aspect of icon design, and then on the left, there's a picture of the iPhone home screen, on the right there's a picture of the GT i9000, same size, side by side, and then there's bullet points beside each one.

And, typically, in one of these screens, it talks about that there's confusion about the similarity of icons on the Samsung screen.

[1412] And then the document talks about how Apple does it better, how they differentiate, a little bit about the icon style.

And then at the bottom of every one of these pages, there's a pink box and it says, "Directions for improvement," and then it suggests what Samsung

designers ought to do to make their phone better, changes or, you know, note this and try to do this.

And there are red rings around particular icons on the Apple screen and on the Samsung screen, and I can see how, by looking at what ultimately happened, how concrete aspects of the Apple icons affected what ultimately were in the phones that I looked at.

So it did have—it's hard to—not to see from what was shown to me as an internal Samsung design document, how—what happened.

* * *

[1421] Q Okay. Where were we?

We were talking about you provided the testimony about how a consumer might make a mistake or be confused about these application screens thinking that, one, that it's a Samsung application screen and might be an Apple phone, right, or an Apple application screen. Do you remember that?

A That a Samsung application screen would look like the design of the D'305 patent.

Q Didn't you—didn't I hear you say that you thought that a consumer would be confused as to the source?

A When we talked about trade dress.

Q Right?

A When we talked about—excuse me. I thought you were asking me about the D'305.

Q Okay. But you did talk about consumers being—whether or not consumers might be confused by the Samsung application screens.

Do you remember that?

A Yes.

Q Okay. And you thought that there's—that they might be?

A Yes.

Q Okay So let's look at what a consumer would [1422] see when they turn on the phone between the time they have a phone like this in their hands that's turned off and the time that they actually get to the application screen.

I'll try to do this, your Honor, on the Elmo.

Do we have a microphone?

THE CLERK: A microphone?

MR. VERHOEVEN: Yeah I thought there was a little hand mike There we go.

Does this work?

I'm going to put this close to the phone so that—okay

Q So now I'm the consumer, and I'm turning on the phone. What does the consumer see?

A The start-up screen with the—

Q What does it say?

A It says, "Samsung."

Q Still says Samsung

What's Droid? Is that short for Android?

A I don't know I know it's this, the Droid phone has the chin.

Q And now what is the consumer looking at now?

A The unlock screen.

Q So the consumer has to do something here; [1423] right?

A Yes.

Q What do they have to do?

A Move the puzzle piece to the right to unlock it.

Q Okay. Now, what is the consumer looking at?

A The home screen of the Samsung phone.

Q Okay. And so what does a consumer need to do—this is—this screen here is not accused; right?

A No.

Q You weren't even asked to look at this screen; right?

A I would say—I was not asked to consider this screen.

Q Okay. So it's just the application screen; right?

A Yes.

Q Okay. And remind us, what does the user have to do—what does the consumer have to do to get to the application screen?

A Touch the blue button on the lower right with the grid of squares.

Q Okay So it's only after all of those steps that a consumer gets to the application screen. [1424] Fair?

A Yes.

Q Now, Dr. Kare, wouldn't you agree that by the time a consumer goes through all those steps to get to the application screen, that consumer knows that this is a Samsung phone?

A I was only asked to consider this application screen compared to the Apple home screen.

* * *

[1475] Q You're not telling the jury that Apple owns the right to have a colorful matrix of icons, are you?

A No.

Q And you're not telling the jury that Apple owns the exclusive right to have the icons arranged in rows and columns in a grid matrix, are you?

A No.

* * *

[1638] UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

Case No. C-11-01846 LHK

APPLE INC., a California Corporation,

Plaintiff,

vs.

SAMSUNG ELECTRONICS CO., LTD., a Korean business entity; SAMSUNG ELECTRONICS AMERICA, INC., a New York Corporation; SAMSUNG TELECOMMUNICATIONS AMERICA, LLC, a Delaware limited liability company,

Defendants.

San Jose, California
August 10, 2012

Transcript of Proceedings before the Honorable
LUCY H. KOH United States District Judge

Volume 6
Pages 1638-1988

Official court reporter: Lee-Anne Shortridge, CSR, CRR Certificate number 9595

* * *

[Direct Examination of Boris Teksler]

[1955] built the foundational positioning.

Q What is Apple's position on licensing this portion of its patent portfolio?

A So unlike standards where we have to license, this is an area where we don't have to license.

* * *

THE WITNESS. So with respect to the computing portfolio, it's not one that we have to license, but we're certainly willing to discuss licensing.

We do that with two primary goals. The first one is that we want to get fairly compensated for the work that we've done; and the second—and the second one is we want to make sure that we safeguard Apple's differentiated user experience.

BY MR. MUELLER:

Q Mr. Teksler, Let's turn, if we could, to the third category in the Apple portfolio. Would you remind us what that is?

A Certainly. That's Apple's unique user [1956] experience I.P.

Q What does that refer to?

A So I would describe that in a couple different ways. From a top level, it's that which makes our brand identity and keeps us unique in the marketplace, and it's what we don't wish to share and other people to make.

So with that, I would say from a technical perspective, it includes trademarks, trade dress, all the design patents, and a small set of utility patents that really deal with user interface elements, and maybe a couple of associated features.

Q And how does this category relate to wireless devices?

A Well, I guess you don't really need a license to this. From our perspective, unless you're trying to build an iPhone knock-off or a clone or an iPad clone, you wouldn't need a license to this set of I.P.

Q And to be clear, what is Apple's position on licensing this portion of its portfolio?

A We strongly desire not to license it. It's not an area that we license, and our goal in licensing is to enable people to design their own [1957] products, not the ability to just copy our products.

Q Has Apple ever licensed any of the patents within this category?

A Certainly over time we have, but I can count those instances on one hand quite easily. And we do so with rare exception and we do it consciously knowing that we're not enabling somebody to build a clone product.

* * *

[1963] THE COURT: All right. Overruled.

BY MR. MUELLER:

Q Mr. Teksler, if you could, please turn to tab 2 in your binder, and this is PDX 32. If we could also put that on the screen.

Mr. Teksler, This shows seven patent covers. Are you familiar with these patents?

A I am.

* * *

Q Are these the seven asserted patents?

A Yes, they are.

Q Where do these fall, these seven patents, within the categories you described earlier in the Apple portfolio?

[1964] A Certainly. So there's four design patents, and all four design patents fall into Apple's unique user experience.

And then the three utility patents that are listed here generally relate to user interface and features that we would also put in that same category of Apple's unique user interface, or user experience.

* * *

CROSS-EXAMINATION

BY MS. MAROULIS:

Q Good afternoon, Mr. Teksler. How are you?

A Good afternoon.

Q My name is Victoria Maroulis. I'm counsel for Samsung. And seeing how it's late friday afternoon, I'll be very brief

You testified that you prepared a Powerpoint for a meeting between Apple and Samsung in August 2010. Is that correct?

A I believe that was Key Note, but yes.

Q And you didn't personally attend the meeting in question; right?

[1965] A No, I did not.

Q You cannot tell us from your personal knowledge anything about that meeting and what was presented; correct?

A I know that that was presented. We later sent Samsung the presentation and, in subsequent meetings with Samsung, we referred back to that presentation and to the dialogue that happened that day. So that's—

Q But from personal knowledge, you do not know what occurred at that meeting and what was shown and what was not shown; correct?

A Okay, certainly.

Q And the Powerpoint presentation that you prepared is exhibit 52 in evidence; correct? If you can look in your cross-examination binder at tab 52, do you see that?

A I do.

Q If you look at pages 12 through 14, do you see a variety of patents listed there?

A Yes, I do.

Q Okay. And do you remember, on direct, Joe asked you about the seven patents asserted in this case; correct?

A Yes, that's correct.

[1966] Q Four of them were design patents?

A Yes, that's correct.

Q One of those design patent patents was D'677; right?

A I believe that's correct, yes.

Q That patent is nowhere in this presentation; Is that correct?

A It's not enumerated.

Q It's not mentioned at all as a patent, the D'677; right?

A So I think what I would say is I agree that it's not enumerated in the presentation.

When we were preparing the, the points that we wanted to get across—and I believe that was back in slide 17 of this presentation—we did say that there was a remarkable similarity between the products and, in doing so, we did talk about design patents.

Q Sir, this presentation does not mention the word "design patent" at all; correct?

A I agree.

Q And design patent '087 that you reviewed with counsel is also not mentioned in this presentation; is that right?

A I agree.

[1967] Q And design patent '889 is similarly not mentioned in this presentation; correct?

A I agree.

Q And so is D'305, that is also not mentioned in the presentation; right?

A I agree.

* * *

[1] UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

[Filed 08/12/12]

Case No.: 11-CV-01846-LHK

APPLE INC., a California corporation,

Plaintiff,

v.

SAMSUNG ELECTRONICS CO., LTD., A Korean business entity; SAMSUNG ELECTRONICS AMERICA, INC., a New York corporation; SAMSUNG TELECOMMUNICATIONS AMERICA, LLC, a Delaware limited liability company,

Defendants.

ORDER RE: OBJECTIONS REGARDING MUSIKA, PALTIAN, ZORN, BEDERSON, BOGUE, FORLINES, AND YANG; ORDER GRANTING APPLE'S MOTION TO EXCLUDE TESTIMONY

* * *

[8] I. Hyong Shin Park

COURT'S RULING ON MOTION TO EXCLUDE

Apple moves to exclude the testimony of Hyong Shin Park, one of the inventors of the F700. ECF No. 1647. Samsung has filed an opposition. ECF No. 1664. Apple filed a reply. ECF No. 1676. For the reasons set forth below, the Court GRANTS Apple's motion.

Judge Grewal previously excluded Samsung's theory that the F700 anticipated, or rendered obvious the D'677 Patent for failure to timely disclose the

theory in discovery. ECF No. 1144 at 3-5 This Court affirmed Judge Grewal's Order. ECF No 1545 Indeed, Samsung was precluded, for the same reasons, from asserting its independent derivation theory in opening statements. *See* ECF No 1456. Samsung has generally been permitted to rely on the F700 for alternative design and functionality purposes to rebut the testimony of Peter Bressler. *See* Aug. 6, 2012 Tr. at 1184:1-4.

Samsung has presented an offer of proof that it intends to illicit the testimony of Ms. Park to establish functionality of the F700 design, and to rebut allegations of copying or willfulness While these topics have not prohibited, the Court finds that the risk of undue prejudice to Apple outweighs the probative value of Ms Park's testimony and is excludable pursuant to FRE 403

As to Samsung's argument that Ms. Park should be allowed to testify regarding the functionality of the F700 design, this testimony is of limited probative value As the designer of the F700 and a named inventor of the KR'985 Patent, Ms. Park's testimony is of limited probative value in evaluating *Apple's* design patents in suit. Moreover, Ms Park did not design any of the accused devices. Indeed, Ms. Park testified that she is unaware of any Samsung phone having been based on the F700. *See* Bartlett Decl. Ex 4. Moreover, the Court notes that Samsung's position with respect to Ms. Park's testimony is somewhat inconsistent On the one hand, Samsung explains that Ms. Park will testify that the F700 was functional, but also that she obtained a design patent (the KR'985 Patent) for the same design. This inconsistency underscores the limited probative value of the evidence. In contrast, there is a real likelihood that the jury will consider Ms.

Park's testimony for a purpose that has been excluded by Judge Grewal.

Similarly, Samsung also argues that Ms. Park may testify that the F700 rebuts an allegation of copying or willfulness. While the F700 may be probative of non-willfulness and to rebut an allegation of copying, it is unlikely that a jury will be able to consider Ms. Park's testimony without using it for a purpose that has been excluded by Judge Grewal. Ms. Park will testify regarding the creation of the F700 and the KR'985, and it is highly likely that the jury will view this as evidence of an independent derivation of the designs at issue. Moreover, the Court is unconvinced that a limiting instruction will sufficiently address this issue. Therefore, under FRE 403, the Court excludes the testimony of Ms. Park.

IT IS SO ORDERED.

Dated: August 12, 2012

/s/ Lucy H. Koh
LUCY H KOH
United States District Judge

[1989] UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

Case No. C-11-01846 LHK

APPLE INC., a California Corporation,

Plaintiff,

vs.

SAMSUNG ELECTRONICS CO., LTD., a Korean business entity; SAMSUNG ELECTRONICS AMERICA, INC., a New York corporation; SAMSUNG TELECOMMUNICATIONS AMERICA, LLC, a Delaware limited liability company,

Defendants.

San Jose, California
August 13, 2012

Transcript of Proceedings before the Honorable LUCY H. KOH United States District Judge

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Volume 7
Pages 1989-2320

Appearances on Next Page

Official Court Reporter: Lee-Anne Shortridge, CSR, CRR Certificate Number 9595

* * *

[2040] Q Okay. For purposes of forming your opinions in this case, have you done anything to evaluate Samsung's accused smartphone sales and Samsung's accused tablet sales?

A I have.

Q Okay. Can we see slide 34B.6.

What was your overall conclusion about the volume of Samsung's accused smartphone and tablet sales and the revenues associated with that?

A Well, the damage numbers I've just given you are very large, and they're very large because we're dealing with a very large quantity of sales.

What's depicted here is that the combination of smartphones and tablets, over the two years that's at issue in this case, Samsung has sold 22 7 million individual smartphones and/or tablets.

The amount that's associated with those sales is $8,160,000,000 That's Samsung's number. That's just—that's that money that slid across It was equal to $8,160,000,000.

* * *

[2043] We go to the same spot, and there's the 1,438 tablets, we add that to the smartphone to get to the $22 million—or 22 million units, and there's 644,000, which we add that back to the smartphones, we get to the $8.1 billion.

Q Now, Mr. Musika, you said 644,000, that number there is—because it's missing zeros, it's actually what?

A Millions. Sorry. I did it myself. I apologize.

Q All right. Does this represent sales just in the United States?

A Sales of tablets and smartphones only in the united states by the defendant Samsung.

Q Okay. Have you looked at information about how Samsung's sales of the accused products in this case—let me start over.

Have you looked at information about how Samsung sales of smartphones and tablets before the introduction of the accused products in this case compared to Samsung sales of smartphones and tablets after the introduction of the accused products?

A Yes.

Q Okay. Could we see slide 34B.9. What [2044] information is shown on 34B.9, Mr. Musika?

A This is a graph, and on the vertical axis, it's the market share percent. So it's how much of the overall smartphone market did Samsung have over time, which is our horizontal x axis there.

And the slide is divided up, as you just indicated, into two segments. On the left-hand side with the blue is the time period for Samsung prior to the introduction of their first accused phone, and what we can see then with the introduction of the first accused phone, the red line, on the right-hand side is the period of time afterwards.

Q And how do the two periods, that is, before and after, compare to one another?

A Yes. It's a rather dramatic demonstration of Samsung was losing market share during the period prior to 2010, approximately June of 2010 when they introduced the first accused phone.

After they introduced the first accused phone, Samsung's market share took an abrupt upward swing and has continued today to advance dramatically in increases in market share.

Q Where did the information that forms this chart come from?

[2045] A Once again, this isn't my information. This is taken not from Apple or from Samsung in this case. This is taken—you can see perhaps right down there on the bottom, source IDC Worldwide Quarterly

IDC is an independent marketing organization that both Apple and Samsung use to help them in doing their own market research. So this is an independent study and analysis that was done by IDC.

Q Okay. Let's turn to the specific damages remedies that you evaluated in this case

What kinds of remedies did you apply with respect to the various intellectual property rights that Apple has asserted in the case?

A I considered three different forms of remedy in total as it relates to the design, and that would be the design patent and the trade dress. I considered two forms of damage.

Q What were those two forms?

A One, one is called Samsung's profits, and the other is called Apple's lost profits.

To put it in real straight terms, it's either what Samsung has gained or it's what Apple has lost.

* * *

[2049] A Well, it's—it's—it's easy to visualize, but it's hard to imagine.

But the calculation really had to be done on a phone-by-phone, tablet-by-tablet basis. Each phone, each tablet deserves or gets its own damage, and so that calculation had to be done individually on each one of those products.

Q And how did you decide, for each one of those products, which of the three different kinds of damages you described should be assigned to it?

A Well, there were several criteria. One we just went through, which is the form of damages.

Another would be the time period in which—not all sales occurred at the same time They occurred at different times.

And not all the intellectual property, whether it was a utility patent or a design patent, they didn't all issue at once. So they issued at various points in time

So it's really the intersection of when something was sold, which form of damages—which form of intellectual property it is accused of, and then making that calculation on, again, a unit-by-unit basis

Q Okay. Could we see slide 34B.56.

* * *

[2054] Q And what was the next step?

A The next step is what we all—regardless of what business we're in, all of us incur the same thing. We have revenue because we make a sale, and we have expenses. Nobody just gives us money. And Samsung incurred expenses to generate that 6,411,000,000, so I had to identify how much did it cost Samsung to earn or generate that 6,411,000,000.

Q Okay. So let's see the next slide.

A And there you see—there you see the cost of goods sold, how much did it cost, what are the directly attributable costs that Samsung incurred, and that's 4,170,000,000.

If I subtract that from that prior [2055] number, that gets us down to the bottom, $2,241,000,000.

Q Okay. Have you done this calculation for each of the different products accused of violating one of Apple's design or trade dress patent rights?

A Yes.

Q Could we see slide 34b.19?

What is depicted here, Mr. Musika?

A This is just a, an additional slide to help the court see that not only did I do it on an individual tablet-by-tablet, smartphone-by-smartphone basis, but those are by model, too.

So here is that Samsung's profits divided, or shown by model, both for tablets and smartphones.

Q Okay. Has Samsung also provided a calculation in this case of what it says are its profits on this same group of 17 million devices?

A Well, not to confuse anyone. My number that I've just given you is Samsung's number, too.

But I deducted certain costs and Samsung would—would and has said that they've incurred additional costs that should be subtracted.

So there's no dispute about the numbers [2056] that I'm using. It's just that there's a dispute about how much—how many costs should be included in the calculation.

Q Could we see PDX 34b.20.

What have you shown on this slide, Mr. Musika?

A There's no math in this slide. There's just three numbers. The first number is the favorite number, or the old number we know, the 8.1 billion total revenue. So that's the revenue at issue.

The middle number is my number of what the unjust gain is. That's the same $2.2 billion number.

But the number on the right is another Samsung calculation which takes my 2.2 billion and takes it down to $1,086,000,000.

Q And what is—since you both started with the same numbers from Samsung's records, what is the reason for the difference between your calculation of total profits on these 17 million phones and Samsung's calculation of total profits on these 17 million phone?

A We're going to see it in just a second, but it's real simple. Keep in mind I deducted costs which are directly attributable.

[2057] Samsung deducted those costs as well, but they deducted additional costs which I did not deduct, and we'll look at those presently.

Q Okay Why don't we look at Exhibit 28. It's in your binder. And could we start simply by you identifying what Exhibit 28 is.

A Exhibit 28 is a—this is a schedule that I prepared using Samsung's records, translated records, for sec and I used it for purposes of looking at the types of costs—this will list all their costs from top to bottom, and we'll see the kind of costs I deducted and the additional costs that Samsung deducted.

MS. KREVANS: Okay. Your honor, we move the admission of Exhibit PX 28.

MR. PRICE: No objection.

THE COURT: All right. It's admitted.

(Whereupon, plaintiff's Exhibit number 28, having been previously marked for identification, was admitted into evidence.)

BY MS. KREVANS:

Q You say you prepared this. What was the source of these numbers?

A Samsung records.

[2058] Q Did you change the numbers in any way when you prepared this schedule?

A The numbers are—they're important, but they're not the numbers. They're the numbers for the overall entity. So it has other sales of non-accused items.

My focus is really more on terms of the types of accounts, but I didn't change this. This comes directly—this is the type of accounts and the numbers come directly from Samsung.

Q Okay. Could we just make a little larger,

Mr. Lee, the top portion of this down through line, gross sales profit percentage.

What's depicted here, Mr. Musika?

A Samsung's records are, are the same as, in many other sophisticated, same as Apple's. They're prepared basically in the same format.

And the basic format of a financial statement, or a profit and loss statement, is no different than our personal profit and loss statements.

We start at the top with how much did we earn, what's the revenue? And then we deduct expenses.

Starting at the top, those expenses are [2059] directly attributable. As you move down and you get to where people usually refer to it, the bottom line, those costs that are included become less and less specifically associated with the revenue.

So here we see revenue, quantity at the top, and then sales in terms of total dollars.

Q And I take it from what you said a couple minutes ago, where it says sales $30 billion, you didn't use all 30 billion of those dollars in your calculations?

A No. Again, this is their numbers from the sec manufacturing entity that has sales of other items in there, so I've already pulled my—my 8 billion, or Samsung's 8 billion is in that $30 billion number in there, but there are other things in there and we shouldn't be focussed on those numbers.

Q Okay. You see at the bottom portion of this Exhibit 28 that we're looking at on the screen right now, there are two lines that say "gross sales profit" and "gross sales profit percentage."

What are those numbers?

A Standard accounting terminology. Sales minus cost of goods sold, that's—C.O G.S. stands for cost of goods sold, and those are costs which are [2060] directly attributable to the production and/or sale of the accused devices.

And this is—again, this isn't my construction. This is really generally accepted accounting principals and this is directly from their statements

And that gets us, if we deduct the cost of goods sold from the sales, we get a gross profit number and percentage.

Q And what's the gross profit percentage?

A Gross profit percentage is, in this statement is 39.2 percent.

Q What was the average gross profit amount that you found in Samsung's financial records for the $8 billion in sales of the accused products in the United States?

A All right. The accused products have slightly lower gross profit percentage. Per my recollection, the overall gross profit percentage on just the accused products was approximately 35.5 percent.

Q Okay. You said a couple minutes ago that if we move down this same page of Exhibit 28, we're going to see some other kinds of expenses.

A Yes.

[2061] Q Do you believe that those other expenses are appropriate to be deducted in calculating Samsung's total profits for purposes of damages in this case?

A First of all, Samsung deducts all those other expenses. They were incurred. I'm not disputing they were incurred.

But I do not think it is appropriate to deduct those to get to the profit number which would reward Apple for Samsung's unjust enrichment.

So really all the expenses below there are really the disagreement.

* * *

[Re-Direct Examination of Boris Teksler]

[2112] Q Okay. So let's go back to your chart then, if we can.

Is it your understanding that Apple—by the way, Apple comes out, basically, with a new phone once every couple of years?

A Might be a little bit more frequently than that, but something in between a year and two years I'd say.

Q And what you've noticed is that—when you look at the charts is that Apple's sales dramatically spike when it comes out with a new phone; correct?

A That's correct.

Q Because its customers haven't—they have the [2113] old model and they want a new, prettier advanced one; right?

A They wait. That's constantly—customers will wait because they want—they figure, "it's coming out. I'll wait and get it when it comes out."

Q Whereas Samsung comes out with lots of phones per year?

A Certainly more than Apple, yes, that's true.

Q And the spike in—we've got, like, in 2011, you've got Samsung going up—at this point we're talking about phones like the Galaxy S II; correct?

A I think that's right. Again, I don't have committed to memory the launch dates of each of the phones. That is an accused phone, and I think it is in the 2011 time period.

Q Okay. So if you want to see, you know, what Samsung is actually selling, how it's creating this, this, these sales, you'd want to look at kind of what phones are actually driving this; right?

A I don't understand the question. I'm sorry.

Q Well, I mean, you'd want to see, in 2010 or 2011 here, what's the phone mix that Samsung has, because it doesn't just have one phone; right?

A Right But the purpose—I'm not disagreeing [2114] with that. I'm just saying I don't understand the question.

The purpose of this is to show the smartphone market share If you want to know how a particular phone is doing, you should look to that phone and break it down.

Q Well, if you want to look to see whether or not it's because Samsung did something wrong, that is, whether or not a particular phone was, was something that was driving injury to Apple, you'd have to look at the particular phone, like the Droid, and make a decision as to whether or not it infringed, right?

A Yes. Agreed.

* * *

[Samsung Oral Rule 50(a) Motion]

[2189] And Apple has made no effort at all to apportion those, nor, under the design and patent act or the design patent damages provision, has Apple made any effort to limit the profits it's [2190] seeking to the article to which the design is applied.

That's the plain language of that statute. They are acting—they are assuming that the article to which the design is applied is the entire product, which is erroneous as a matter of law.

They have not factored out, for example, the technology and what drives those profits.

They are simply asking for all of them, and so that's insufficient as a matter of law as well.

And I think I mentioned it, but just to be clear on this, they have also failed to separate out infringing versus non-infringing products, or accused versus non-accused products.

There is no evidence from which the jury can make a determination for damages on a product-by-product and patent-by-patent basis. They are literally just simply saying, "I'm assuming that everything is infringing and this is the number that should be awarded."

But that is not sufficient for purposes of the damages here.

* * *

[1] [COUNSEL LISTED ON SIGNATURE PAGES]

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

[Filed 08/13/12]

Case No. 11-cv-01846-LHK

APPLE INC., a California corporation,

Plaintiff,

v.

SAMSUNG ELECTRONICS CO., LTD., a Korean corporation; SAMSUNG ELECTRONICS AMERICA, INC., a New York corporation; and SAMSUNG TELECOMMUNICATIONS AMERICA, LLC, a Delaware limited liability company,

Defendants.

REVISED (DISPUTED) JOINT PROPOSED JURY INSTRUCTIONS FOR AFTER THE CLOSE OF EVIDENCE

Place: Courtroom 1, 5th Floor
Judge: HON. LUCY H. KOH

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* * *

[136] PROPOSED FINAL JURY INSTRUCTION NO. 42 DESIGN PATENT INFRINGEMENT DAMAGES—DEFENDANT'S PROFITS

Apple's Proposed Instruction

If you decide not to award Apple its lost profits for certain sales by Samsung that infringed Apple design patents, you should award Apple the total profits that Samsung earned from those infringing sales "Total profits" include the entire profit on the sale of products with patented designs, and not just the portion of profit attributable to the design. "Total profits" do not include profit attributable to other products that may have been sold in association with an infringing article

Profit is determined by deducting certain expenses from gross revenue Gross revenue is all of Samsung's receipts from the sale of infringing products. Apple has the burden of proving the gross revenue that Samsung more likely than not received.

Samsung has the burden of proving the deductible expenses. Expenses can include costs incurred in producing the gross revenue, such as the cost of the goods. Other costs may be included as deductible expenses if they are directly attributable to the sale or manufacture of the infringing products.

Source

Adapted from The Intellectual Property Owners Ass'n Model Design Patent Jury Instr. 10.8.

Authorities

35 U.S.C. § 289, *Catalina Lighting, Inc. v. Lamps Plus, Inc* , 295 F 3d 1277, 1291-1292, (Fed Cir 2002); *Nike, Inc v. Wal-Mart Stores, Inc.*, 138 F 3d 1437, 1447-48 (Fed. Cir 1998); *id.* at 1442-43 (noting that Congress removed "the need to apportion the infringer's profits between the patented design and the article bearing the design" when it passed the Act of 1887, which was subsequently codified under 35 U S.C § 289); *Braun,*

Inc. v. Dynamics Corp. of Am., 975 F.2d 815, 824 (Fed. Cir. 1992); *Trans-World Mfg. Corp. v. Al Nyman & Sons, Inc.*, 750 F.2d 1552, 1566-68 (Fed. Cir. 1984); *Bergstrom v. Sears, Roebuck & Co.*, 496 F. Supp. 476, 495 (D Minn. 1980); *id.* at 497 ("The burden of establishing the nature and amount of these costs, as well as their relationship to the infringing product, is on the defendants."); *Junker v. HDC Corp.*, No. C-07-05094 JCS, 2008 WL 3385819, at *3 (N.D. Cal. July 28, 2008) ("patent holder is not required to demonstrate that the profits are attributable to the ornamental qualities of the item in the design patent" but is "entitled to the entire profit obtained by the infringer as a result of sales of the item with the infringing design"); *Apple Inc. v. Samsung Electronics Co.*, Ltd., No. 11-CV-01846- LHK, Order Granting-in-Part and Denying-in-Part Motions to Exclude Expert Testimony, Dkt. No. 1157, at 9 (N.D. Cal., June 30, 2012) ("Apple's motion to exclude Mr. Wagner's testimony apportioning damages with respect to Apple's design patent claims is therefore GRANTED."); *Schnadig Corp. v. Gaines Mfg. Co., Inc.*, 620 F.2d 1166, 1171 (6th Cir. 1980) (stating that the "parties are agreed that the expenses which vary directly with productive activity should be deducted in determining total profits"). The requirement that deductible expenses be "directly attributable" to the manufacture or sale of infringing items is in the IPO instruction and clearly spelled out in Ninth Circuit copyright cases. *See, e.g., Kamar International, Inc. v. Russ Berrie & Co.*, 752 F.2d 1326, 1332 (9th Cir. 1984) ("allowing a deduction for overhead only when the infringer can demonstrate it was of actual assistance in the production, distribution or sale of the infringing product"); *Frank Music Corp. v. Metro-Goldwyn-Mayer, Inc.*, 772 F.2d 505, 516 (9th Cir. 1985), rev'd

after remand on other grounds, 886 F.2d 1545 (9th Cir. 1989) ("defendant bears the burden of explaining, at least in general terms, how claimed overhead actually contributed to the production of the infringing work"); 7-20 Chisum on Patents § 20 03 (In design patent infringement actions . . . , the courts look to pre-1946 utility patent case law, as well as copyright [137] and other cases, for guidance in determining the amount of accountable profits"). *See also* Apple Objection to Samsung's Proposed Instruction No. 40 (regarding election of remedies).

Samsung's Objection to Apple's Proposed Instruction

Apple's proposed instruction fails to mention its burden of proof by a preponderance of the evidence. It also does not address the requirement that Apple make an election for either actual damages or Samsung's profits, as set out even in the draft IPO Model Design Patent Jury Instruction that Apple-affiliated attorneys helped create prior to this case. *See id.* ("A plaintiff in a design patent case can elect to prove either actual damages, known as compensatory damages, or they may elect to prove the defendant's profits as its measure of potential recovery") On the contrary, it misleadingly implies that Apple may obtain both remedies. No court has ever allowed what Apple proposes here—to split its recovery between actual damages as lost profits under Section 284 and infringer's profits under Section 289. Thus, Apple's proposed instruction should be rejected as incomplete, legally inaccurate, and skewed in favor of Apple, and is not supported by persuasive authority. It also refers to "Samsung" generally rather than identifying the Samsung defendants. It also adds a requirement – "directly" attributable – that is not required by law

and fails to note that expenses may be attributable to the sales *or manufacture* of the infringing products *Nike, Inc. v. Wal-Mart Stores*, Inc., 138 F.3d 1437, 1447-48 (Fed. Cir 1998) (affirming deduction of "direct and indirect costs"). None of the authority cited by Apple states that expenses must be "directly attributable" to the sale or manufacture of the infringing products.

[138] Samsung's Proposed Instruction[10]

In this case, Apple alternatively seeks Samsung Electronics Company's, Samsung Electronics America's, and Samsung Telecommunications America's profits from sales of products alleged to infringe Apple's design patents. Accordingly, if you find infringement by Samsung Electronics Company, Samsung Electronics America and/or Samsung Telecommunications America, do not find Apple's design patents are invalid, and do not award Apple lost profits and/or a reasonable royalty, you may award Apple Samsung Electronics Company's, Samsung Electronics America's and/or Samsung Telecommunications America's total profit on sales of articles alleged to infringe Apple's design patents.

The "total profit" of Samsung Electronics Company, Samsung Electronics America and/or Samsung Telecommunications America means the entire profit on the sale of the article to which the patented design is applied, or with which it is used and not just the portion of profit attributable to the design or

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[10] Samsung objects to Apple's attempt to obtain both lost profits and infringer's profits as unsupported by any legal authority Samsung offers this instruction solely in the event that the Court disagrees Samsung also offers this instruction subject to its objection that any disgorgement of profits should be subject to apportionment.

ornamental aspects of the patent. "Total profit" does not include profit attributable to other products that may be sold in association with an infringing article embodying the patented design.

If you find infringement by any Samsung defendant, and do not award Apple lost profits and/or a reasonable royalty, you may award Apple all profit earned by that defendant on sales of articles alleged to infringe Apple's design patents, and that is attributable to whatever infringement you have found by that particular defendant. Profit is determined by deducting certain expenses from gross revenue. Gross revenue is all of the infringer's receipts from the sale of articles using any design found infringed. Apple has the burden of proving the infringing defendant's gross revenue by a preponderance of the evidence.

Expenses can include costs incurred in producing the gross revenue, such as the cost of the goods. Other costs may be included as deductible expenses if they are attributable to the sale or manufacture of the infringing products resulting in a nexus between the infringing products and the expense. Samsung has the burden of proving the deductible expenses and the portion of the profit attributable to factors other than use of the infringed design by a preponderance of the evidence.

Unless you find that a portion of the profit from the sale of the infringing product is attributable to factors other than use of the infringed design, you shall find that the total profit is attributable to the infringement.

Source

Intellectual Property Owners Association, Proposed Design Patent Model Jury Instr., No. 10.8 (modified).

Apple's Objection to Samsung's Instruction

The parties' proposed instructions on defendant's profits under section 289 differ in four ways. (1) Samsung's proposed instruction fails to reflect the Court's prior ruling in this case that profits awarded under section 289 cannot be apportioned; (2) Samsung's proposed instruction omits the word "directly" from a sentence addressing deductible expenses, which is an important element [139] of Samsung's burden, (3) Samsung's proposed instruction repeats unnecessarily the requirements of validity and infringement; and (4) continuing its pattern as noted above, Samsung keeps referring in its damages instructions to "alleged" infringement rather than "infringement." Apple's instruction reflects a direct recitation of the statute's grant of total profits *First*, the instruction includes three statements on the apportionment of the defendant's profits, the amount that is "attributable" to the design or the infringement, and the amount "attributable" to factors other than the design. But the Court has made clear based on controlling Federal Circuit law that if Samsung is found to infringe Apple's design patents, Apple is entitled to recover all of Samsung's profits relating to the accused products without apportionment. This issue was resolved in Dkt. No. 1157 (Daubert order) at 9, which excluded Samsung's expert testimony as "contrary to law." Samsung's footnote acknowledges this issue. *Second*, Samsung's proposed instruction incorrectly omits the word "directly" from the statement "Other costs may be included as deductible expenses if they are *directly* attributable to the sales of the infringing products . . ." The Intellectual Property Owners Ass'n Model Design Patent Jury Instructions include the word "directly" and are an accurate statement of the law. This is an important

element of Samsung's burden of proof in proving those costs that will be deducted, and the jury will hear competing evidence from each side's damages experts on which costs are and are not "directly attributable" to the product sales. *See Schnadig Corp. v. Gaines Mfg. Co., Inc.*, 620 F.2d 1166, 1171 (6th Cir. 1980) (stating that the "parties are agreed that the expenses which vary directly with productive activity should be deducted in determining total profits,"); *see also Bergstrom v. Sears, Roebuck & Co.*, 496 F. Supp. 476, 497 (D. Minn. 1980) ("The burden of establishing the nature and amount of these costs, as well as their relationship to the infringing product, is on the defendants."). Third, Samsung, consistent with the improper pattern it set in other instructions, repeats the requirement of validity and infringement where it is not necessary. This requirement is set out in prior instructions and need not be repeated for the benefit of the defendant whenever a new damages subject matter is introduced. Finally, Samsung at least three times in its proposed instruction refers to "alleged" infringement. The jury will only determine damages if it finds that Samsung infringes. The word "alleged" does not belong here

[140] PROPOSED FINAL JURY INSTRUCTION NO. 42.1 DESIGN PATENT DAMAGES—PROFITS

Samsung's Proposed Instruction

If you find that Samsung Electronics Company, Ltd , Samsung Electronics America, Inc. or Samsung Telecommunications America, LLC infringed any of Apple's design patents, and if you decide to award Apple profits from Samsung Electronics Company, Ltd 's, Samsung Electronics America, Inc 's or Samsung Telecommunications America, LLC's sales, you should award only those profits which were

derived from the article of manufacture to which Apple's patented design was applied The article to which Apple's design was applied may be the same as or different from Samsung's devices as sold because devices offered for sale may incorporate a single article of manufacture or several articles of manufacture The article of manufacture to which a design has been applied is the part or portion of the product as sold that incorporates or embodies the subject matter of the patent. Where the article of manufacture is a case or external housing of the device, then only the profits from the sale of the case or external housing of the device should be awarded. Under these instructions, an award of profits for design patent infringement should not include profits earned from the technology by which the devices operate or from any other functions of the devices.

Authority:

Bush & Lane Piano Co. v. Becker Bros., 222 F. 902, 904 (2d Cir. 1915) ("When the patent owner is awarded the profits due to his design he receives all he is entitled to. If the rule be established that a design for a cases enables the owner to collect damages for the case not only, but for the contents of the case as well, it will lead to results which shock the conscience.") (profits properly "confined to the subject of the patent – a piano case"), *id.* at 904 (reversing award of "the entire profits of the sales of the piano and case" and holding that only "the profits upon the sale of the case" could be disgorged).

Apple's Objection to Samsung's Instruction

Samsung's proposed instruction is inconsistent with Federal Circuit law and relies entirely on a single, non-controlling, 97-year-old case involving a different set of facts First, Samsung's reading of *Bush & Lane*

Piano Co. v Becker Bros., 222 F. 902 (2d Cir. 1915) is inconsistent with controlling Federal Circuit law as set forth in *Nike, Inc. v. Wal-Mart Stores, Inc.*, 138 F.3d 1437 (Fed. Cir. 1998). Pursuant to 35 U S.C. § 289, a patent holder may recover total profits on "the article of manufacture." 35 U.S C § 289. The Federal Circuit in *Nike* explains that this refers to the product that is sold, as § 289 does not allow for apportionment *Nike, Inc.*, 138 F.3d at 1442 (Congress removed "the need to apportion the infringer's profits between the patented design and the article bearing the design" when it passed the Act of 1887, which was subsequently codified under 35 U.S.C. § 289"). *See also Junker v. HDC Corp* , No. C-07-05094 JCS, 2008 WL 3385819, at *3 (N.D. Cal. July 28, 2008) ("patent holder is not required to demonstrate that the profits are attributable to the ornamental qualities of the item in the design patent" but is "entitled to the entire profit obtained by the infringer as a result of sales of the item with the infringing design"), *Bergstrom v Sears, Roebuck & Co.*, 496 F. Supp. 476, 495 (D. Minn. 1980) (rejecting defendants' argument that recoverable profits should be reduced to only profits resulting from design of the article). Moreover, *Bush & Lane Piano Co.* is factually distinguishable because it refers to the piano case being sold separately from the piano. The Court reasons that "[a] purchaser desiring a piano of a particular manufacturer may have the piano placed in any one of several cases dealt in by the maker," which are facts plainly not present here 222 F at 903-04. Indeed, here the patents claim an electronic device, not simply a case. As such, *Bush & Lane Piano Co.* is an irrelevant, contradictory, non-controlling case that serves as the sole basis of [141] Samsung's proposed instruction. Apple's proposed

instruction No. 42, on the other hand, contains a clear and accurate statement of the law

[2321] UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

Case No. C-11-01846 LHK

APPLE INC., a California Corporation,

vs.

SAMSUNG ELECTRONICS CO., LTD., a Korean Business Entity; SAMSUNG ELECTRONICS AMERICA, INC., a New York corporation; SAMSUNG TELECOMMUNICATIONS AMERICA, LLC, a Delaware limited liability company,

Defendants.

San Jose, California
August 14, 2012

Transcript of Proceedings before the Honorable LUCY H. KOH United States District Judge

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Volume 8
Pages 2321-2650

Appearances on Next Page

Official Court Reporter: Lee-Anne Shortridge, CSR, CRR Certificate Number 9595 Irene Rodriguez, CSR, CRR Certificate Number 8074

* * *

[2522] DIRECT EXAMINATION

BY MR. QUINN:

Q Would you please state your full name for the record?

A JINYEUN WANG.

The court: it's 1:23. Go ahead.

BY MR. QUINN:

Q And by whom are you employed?

A That would be Samsung electronics.

Q And what type of work do you do at Samsung [2523] Electronics?

A I design UX, otherwise known as user experience.

Q And is that for the Galaxy, include the Galaxy phones?

A Yes, that is correct.

Q And does that include designing the icons and the icon layout on the menu page on the Galaxy phones?

A Yes, that is correct.

Q All right. were you and the team that you lead responsible for designing the icons and the layout of the icons on the menu page for the Galaxy phones?

A Yes, that is correct.

Q In doing that, did you copy any Apple icons or the layout on the Apple application page?

A Not at all.

* * *

[2530] Q Ms Wang, we've heard testimony from Apple witnesses about how hard they worked to bring the iPhone to market

Did you—would you tell us what it was like working on the Galaxy phone, the design aspects for the user experience that you worked on?

A Yes, I can Samsung is a company that's very tough to work at and in Korea. It's a very hard working type of company Anyway, when we were designing Galaxy SI, we had people from Seoul and also from Suwon, and also from Gumi. The people from Suwon, there were hundreds of developers, and also people from Gumi, there were multiple of tens who were involved in verifications.

So with all those people coming from different places. There was at one point where we [2531] had all come together and worked together as a team for about three months and during that time period of three months, my recollection would be that I slept perhaps two hours or three hours a night. That was about it.

And also during that time period, I actually encountered something that was very difficult for me. Back then I had just given birth to a newborn, and I was feeding mother's milk to the baby. But since I wasn't able to be with the baby so much, I had to save the breast milk.

But it just happened that I wasn't able to do that on a consistent basis. So my recollection was that the breast feeding had to come to a stop because I had—my body would not give milk any more.

Q So it was a developing, the user interface, the icons, that menu page, was that a very intense period of hard work for you?

A That's correct. Those were difficult times.

* * *

[Cross Examination of Itay Sherman]

[2633] Q And we're looking at pictures of the Commando on the screen; Is that right?

A Yes.

MS. KREVANS: Your Honor, we would move PX 150 into evidence.

THE COURT: is it 150 or 1050?

MS. KREVANS: 150.

THE COURT: Okay That's admitted. (whereupon, Plaintiff's Exhibit number 150, having been previously marked for identification, was admitted into evidence)

BY MS. KREVANS:

Q This is a smartphone with a full set of features, Mr. Sherman?

A As far as I know, yes.

Q Very different design from the '677 and the '087?

A It is a different design.

Q It's a really different design, isn't it? Is [2634] that a yes?

A It is a different design.

Q Okay. And it works?

A It works.

Q And people buy it?

A That I don't know. But I guess so.

Q Okay. Because you didn't study the details of home people buy what phones right?

A I don't know the numbers for these phones.

Q Okay. One more.

Could we see PDX 26 51. And, Your Honor, may I approach the witness and give him physical Exhibit plaintiff's number 148?

THE COURT: Okay.

MS. KREVANS: May I also let the jury look at the Casio Commando?

THE COURT: That's fine.

BY MS. KREVANS:

Q I'll swap you, Mr. Sherman.

Now, the phone's been marked for identification as PX 148 is the Nokia Lumia, right?

A Correct.

MS. KREVANS: Your Honor, we will move for admission.

THE COURT: It's admitted.

[2635] (whereupon, Plaintiff's Exhibit number 148, having been previously marked for identification, was admitted into evidence.)

BY MS. KREVANS:

Q That's a smartphone, right?

A Yes.

Q And if you can hold that up so the jury can see it That is a smartphone that has a transparent surface on part but not all of the front; correct?

A It has a transparent front face on almost all of the front face, except for the surrounding, what you would call rim.

Q Okay. And, in fact, the front face of the Nokia Lumia is not completely flat, right? It's got a slight curve?

A On the edges, it is curving on the top and bottom edges, correct.

Q Okay. And if you hold it up so the jury can see the front of it, it has much—I would call sharper corners, I guess you would call less rounded corners than the '677 and '087; right?

A And we have the rounding is minimal.

Q So this is another fully featured smartphone [2636] with a design that is completely different design than the '677 and the '087; right?

A It is a different design.

* * *

[2651] UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

Case No. C-11-01846 LHK

APPLE INC., a California Corporation,

vs.

SAMSUNG ELECTRONICS CO., LTD., a Korean Business Entity; SAMSUNG ELECTRONICS AMERICA, INC., a New York corporation; SAMSUNG TELECOMMUNICATIONS AMERICA, LLC, a Delaware limited liability company,

Defendants.

San Jose, California
August 15, 2012

Transcript of Proceedings before the Honorable LUCY H. KOH United States District Judge

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Volume 9
Pages 2651-2965

Appearances on Next Page

Official Court Reporter: Lee-Anne Shortridge, CSR, CRR Certificate Number 9595 Irene Rodriguez, CSR, CRR Certificate Number 8074

* * *

[Direct Examination of Jin Soo Kim]

[2818] Q If we could put up on the small screen the Exhibit 684.001, just on the small screen at this point. and, Mr. Kim, I'm going to call your attention to the images of phones in the upper left of this exhibit under bar type touchscreen display.

Do You see that?

A Yeah, I can see those.

Q And just focussing on those in that upper quarter of the exhibit, are there any of those that you cannot identify as being true and correct images of Samsung phones or mockups that existed in 2006?

So at this point I'm asking that if there are any that you cannot identify as being Samsung [2819] phones or mockups that were in existence in 2006.

A No such here.

Q Okay.

Your Honor, we'd now move this into Evidence. Mr. Denison testified as to the balance of this exhibit, that they were true and correct images of Samsung devices that existed as of the dates indicated and I'd request permission to display it.

* * *

THE COURT: Overruled. Go ahead.

It's admitted.

(Whereupon, defendant's Exhibit number 684.001, having been previously marked for identification, was admitted into evidence)

* * *

[2820] BY MR. QUINN·

[2821] Q And, finally, Mr. Kim, in doing the work that you did in designing tablets for Samsung and smartphones for Samsung, at any time did you copy the work of any other smartphone manufacturer?

A I have not.

* * *

[Direct Examination of Richard Howarth]

[2839] (Whereupon, Defendant's Exhibit number 2627, having been previously marked for identification, was admitted into evidence)

BY MR. PRICE:

Q Look at the first page, this is itself report, correct, first page, right?

A Yes.

Q Look at page 25 through 26. One of the things this does is compare products, compare the products such as the F700 on page 26; correct? Do you see that?

A Just give me a second.

MR. PRICE: Your Honor, I believe there's a limiting instruction you were going to give on this document, one being that the date is wrong.

Can we go to the first page and show that.

[2840] THE COURT. Yes, you may not consider the F700 as evidence of invalidity or non-infringement.

You may only consider the F700 for alternative design and functionality.

MR. MCELHINNY. I'm sorry, your Honor. Also there was an instruction about the incorrect date.

THE COURT: Yes, that is correct. The date of this document is 2006, but that's actually an incorrect date. The correct date is 2007.

* * *

[2966] UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

Case No. C-11-01846 LHK

APPLE INC., a California Corporation,

Plaintiff,

v.

SAMSUNG ELECTRONICS CO., LTD., a Korean business entity, SAMSUNG ELECTRONICS AMERICA, INC., a New York Corporation; SAMSUNG TELECOMMUNICATIONS AMERICA, LLC, a Delaware limited liability company,

Defendants.

San Jose, California
August 16, 2012

Transcript of Proceedings before the Honorable LUCY H KOH United States District Judge

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Volume 10
Pages 2966-3386

Appearances on next page

Official court reporter: Lee-Anne Shortridge, CSR, CRR certificate number 9595 Irene Rodriguez, CSR, CRR certificate number 8074

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[Direct Examination of Michael Wagner]

[3022] Q Now, let's talk and focus on their total cost area, and if we could put up 3965 005.

And perhaps you can explain to us what you include in total costs?

A The costs that I believe are appropriate are the cost of goods sold, which are the costs to actually manufacture the infringing or allegedly infringing smartphones and tablets but also the operating expenses that are necessary to sell those phones

You can't sell a phone just because you've made it. You have to market it, you've got to sell it, you have to have developed it originally to actually make it into a product, and then you have to have an umbrella organization that organizes all of those activities

Q So perhaps you can explain then the operating expenses that you have here, sales expenses, marking, et cetera, so the jury can have an [3023] understanding as to what the nature is of those expenses?

A Starting with the first one, sales expense, as you just heard, there are 40 carriers who are customers for those products in the United States.

Samsung has to send people out to those carriers. There are all kinds of competitors for the limited sale space in the carrier stores.

So Samsung has to actively get in there and tell these carriers why they should be carrying their phones versus Apple phone or HTC phone or LG phone. So those are selling expenses.

Q Is it your understanding that it is customary that Samsung would have an employee that's devoted to one phone, like the droid charge?

A No. Normally they're selling a whole product line for the company

Q And so how are expenses then allocated for a salesman like that?

A Well, if you want to allocate to a particular product, you'd have to allocate that time because that salesperson doesn't only just sell, say, an Epic 4G. They may be selling many of the other models that are not accused in this case and you have to allocate it based on either time or some [3024] reasonable basis like revenues.

Q And if you could explain the marketing and the R&D expenses in general, and administrative?

A Marketing and general, you again have to get customers aware that you have a product. It's mainly TV advertising, billboards, magazine ads, that type of information.

And I've been watching the olympics, or I did, and every cite I would see three different Samsung ads being run promoting their Galaxy phones. That cost money, a lot of money. That cost is necessary to be successful in the marketplace.

And R&D, you have to develop this very complicated technology product. These are the most complicated consumer products in the marketplace. There's all kinds of efforts to develop the right chips, the right integrated circuits, determine what features go into it, all of those things take a lot of time and expense to do and those costs are necessary or you'd never sell a phone.

And, finally, general administrative is you, again, you need an organization that can manage all of these activities in order to sell a phone

[3025] Q Let me ask you, did Mr. Musika, in his calculations, deduct these expenses, sales, marketing, R&D?

A Not one penny.

Q No not a penny of advertising?

A No.

Q Not a penny of research and development?

A No.

Q Let me ask you, you've seen Apple's 10-K's, their financials?

A I have.

Q And do they deduct these expenses on their financials?

A They certainly do.

* * *

[3028] BY MR. PRICE:

Q Now, if you'd look at Exhibit 676, which was just admitted into evidence, that's that spreadsheet, did you look at—did you look at a spreadsheet—that was just testimony about Samsung spreadsheet that had the, the income, costs, et cetera, of the products that are at issue here.

A I did.

Q And did you—first of all, let me ask you, is—you've read Mr. Musika's report?

A I have.

Q Was this the same spreadsheet that he was using?

A He used a similar one, but the numbers that he selected have the same numbers that this one has.

Q You said they have the same numbers. Is it the spreadsheet that you get the number for income on these products?

A For revenue and costs of goods sold.

[3029] Q I'm sorry. So for revenue, that came from this; correct?

A Yes.

Q And you—you said Mr. Musika deducted costs of goods sold. Was that obtained from this same document?

A It would be the same numbers, yes.

Q And do you also get operating expenses from this document?

A You do.

Q And did Mr. Musika use any of those operating expenses from this document?

A He did not.

Q Now, did you, in your professional opinion, find the information in this to be reliable?

A I did.

Q And if we can put up Exhibit 3965.008, perhaps you can explain why using this?

A Well, the first thing I found is this is very detailed financial information. Companies don't provide this type of information in their audited financial statements. They don't give you month-by-month cost

information for individual products they sell So you can't tie this to an audited financial statement.

[3030] But it comes from a reliable acting system, and that is this S A.P. system. S.A P is the largest provider of software in the world to businesses. They have more accounting software in the major companies in the world. It has integrity.

Pricewaterhousecoopers, a firm I used to be a partner in, and so does Mr. Musika, relied on that data to provide the financial statements. So it comes from a reliable source.

And as far as the methods of allocation, they are typical that I see at companies over my career They use the same general methodology that Apple uses to allocate common costs So I have no problem with the way they allocated costs.

And then, finally, the results of this analysis are consistent with Samsung's financial statements in general.

Q Now, this spreadsheet goes over 115 pages?

A It's 115 pages that you can't even read because it's so compressed. If you really wanted to make it readable, it would probably be a couple hundred pages or more than that.

Q And which you said that the method of allocation is similar to what Apple does, how does [3031] Apple allocate its operating costs?

A When they can directly attribute it to a product line, they don't ever allocate to a product, like one of their models but they do have product line financials for the iPhone and for the iPad.

But when they allocate to those product line financials, if they can directly attribute, say, R&D engineer only worked on the iPad, they directly attribute it to it.

If it's an engineer that has common tasks, they would have some type of allocation based on either time or space or some other driver of, measure of that activity. And if they can't do any of those things, they use revenue, and that's exactly what Samsung does as well.

Q So now using the operating costs and subtracting them from the revenue to get the operating income, did you make a calculation as to what Samsung's total profits were on the phones that are at issue here?

A I did for a number of different periods of time.

* * *

[3036] Q And for the design around, could you tell us what that is, what is a design around?

A A design around is either you just design out the infringing feature if it's not a feature that's really important to the customers or you find another way of doing it.

As an example, bounce back, that gives you no indication that you're at the end of an electronic document. There's other ways to notify you of doing that So they may just use some other method to notify you that you're at the end of a file.

Q Let me ask you specifically about the design around on Apple specific designs on their patents. Would there be design arounds for that as well?

A Well, certainly. Samsung has many phones, smartphones in the marketplace that aren't accused of any trade dress or design patent infringement.

They could have just moved to those designs. They've already created them. They [3037] exist.

Samsung currently has 103 models in the United States. They come out with more than one a week. They could have come out with just a different package to put their technology into.

Q So, for example, I'm going to show you Exhibit 1018 for identification, which appears to be a Nexus S. Do you have that in front of you?

A I do.

Q And do you recognize that as a Galaxy Nexus S?

A I do.

MR. PRICE: Your Honor, move Exhibit 1018 into evidence.

THE COURT: Okay. No objection, right? It's admitted.

(Whereupon, Defendant's Exhibit number 1018, having been previously marked for identification, was admitted into evidence.)

THE COURT: Go ahead.

BY MR. PRICE:

Q So, for example, this is not an accused phone. This the kind of design that Samsung could go to?

A Right. They've actually designed this phone and this phone does not infringe any of what's

* * *

[3040] that are not asserted in this case. So that tells me that what the specific design that's at issue in this case isn't what's driving demand or driving customers from Samsung to Apple if Samsung didn't have these fine features.

Q If you're choosing—if the best design is important to you, Apple rated higher?

A They ranked higher during this time period.

Q Okay. Let's talk, then, about this group of people who bought the Samsung phones that are alleged to be infringed

What did the data tell you as to that group of people as opposed to the overall population would switch to an Apple phone?

A That's a good question That's the consumers we have to try to understand what their behavior would have been. We know in the real world they actually chose an Android phone and a Samsung phone on that platform instead of going to Apple

So you had to look at their behavior and what they need and want and desire in their phones.

Q And if you look at Exhibit 572, which is in evidence, particularly page 82, did Apple do studies of Android purchasers to see what was important to them?

[3041] A They do.

Q If you can put 572.082 and blow that up, and what percentage of sample purchasers, being an Android phones didn't consider Apple?

A 75 percent The vast majority didn't think about Apple as a realistic alternative when they made their decision

Q You see here that talks about 25 percent considered an iPhone?

A That's correct.

Q And of those two, who even considered an iPhone, you know, what kind of features were important to them?

A Well, it's the features that are listed in the rest of this chart, and none of them have anything to do with design.

They have to do with functionality and carriers and things like that and brand, nothing to do with the physical appearance of the phone that they bought.

Q For example, preferred larger screen, that was one of the items; right?

A They would, yes.

Q This GPS navigation, was that something which Apple had at the time?

[3042] A Well, at some point they did not. Eventually they did get it. But, again, the Android providers had an advantage during some parts of this period of time that we're talking about because they could offer that functionality.

Q Mr. Wagner, in this case, have you seen any analysis, any study done that asked what Android or Samsung phone owners would do if they didn't have certain features in their phone, that is, whether or not they would leave Samsung or Android for Apple because of these specific features?

A No. And that type of study could have been done, but no one has asked that question in this case. No one has given either Mr. Musika or myself the information we would need to really determine damages.

Q By the way, when you're talking about J D. Powers study, were you talking about Exhibit 69?

A If that's the March 2011 study, yes. I can't find it in these binders.

Q Okay.

Your Honor, I move Exhibit 69 into evidence. It's the first page of the J.D. powers study

THE COURT: Sure. Any objection?

[3043] MR. JACOBS: No, your Honor.

THE COURT: It's admitted.

(Whereupon, Defendant's Exhibit number 69, having been previously marked for identification, was admitted into evidence.)

BY MR. PRICE:

Q Now, you saw Mr. Musika also presented a chart, if you can look at floor B9, which showed Samsung's market share, and it kind of showed it increasing and it showed phones, Galaxy s phones.

Do you agree or disagree with the suggestion by Mr Musika that Samsung's market share increased because of anything to do with the patents or—at issue in this case?

A No This doesn't tell you anything about why that red bar is going up during that time period, and to make this even relevant to the case, you need to understand that

And Mr. Musika did no analysis about why Samsung's market share increased. He gives this impression it's because they introduced this one phone. There's a lot more to the story.

Q Such as?

A Well, first off, you shouldn't even have the [3044] line that he drew. You should have the line of the infringing phones rather than all of their phones. This is misleading. This isn't actually what would be caused by what's alleged in this case There's more information here than you should have. So that's the first problem.

The second problem is he ignores the fact that Samsung is driving technology in this space. They're known as having the fastest processor, the brightest screens, they have all kinds of functionality. They led in 3G and 4G. That's why they're doing well. It has nothing to do with what's at issue in this case.

Q And when you look at the chart that was actually in Mr. Musika's report, and if we can kind of go to that from here using, I think it's 39—3909.59, let's show the full information. 3909.59.

So if we change the scale and show this other data, what is this other data?

A The other data is what's happening to Apple's market share during the same time period.

Q And we do see peaks in Apple's market data. What's that a result of?

A Some of it has to do with seasonality, but the main thing is when does Apple introduce a new [3045] product? [3045] Unlike Samsung who introduced a new smartphone for a particular subnet of market almost weekly, Apple only introduced a new product once a year, the phone is here, and you have to wait a year.

That's why there's this incredible spike that goes up at the end, but they're not increasing market share

during most of this period because they have nothing new to sell.

Q Let's go back to 3965.010 If we can just put up the full chart now. We kind of talked about groups of features driving demand. We have a section here, Apple lacked capacity, how does that effect your opinion?

A I didn't talk about groups of features drive demand.

Q I'm sorry. Talk.

A Again, this is a very complicated decision process to buy these phones. There isn't one feature that drives demand. I do agree that design is one of the factors that you should consider.

But what you're really buying is technology. You're not buying a physical design. I've never seen a product that has more technology in it than a smartphone.

[3046] And so that's what you're looking at. And people buy phones because of the internet capability, they can do their web browsing, they want it fast Samsung has great processors to do that.

They want to do e-mail, they want to take pictures with a camera, they want to download games if they really want to make the device fun for them. It's a multifunctional device. That's what they're buying, not just design.

Q And you have Apple lacked capacity. What's that referring to?

A Well, during concern periods of Mr. Musika lost damages study, Apple couldn't sell one more of their product than they actually sold because their capacity was strained.

When the iPhone 4 came out, you saw that spike, what was happening was they couldn't meet the demand they had in the real world. They couldn't have sold another 2 million units in this period. They could not have done it. And there's plenty of documentation both from Apple and the press that indicated that. And that was between June of 2010 and September of 2010.

And as far as the tablets, again, when [3047] they introduced the iPad 2, they could not sell enough product Tim Cook, their CEO, to public investors stated we have the mother of all backlogs. How could they have sold another iPad 2 during this damages period? They couldn't even meet the demand with the competition with Samsung. So there should be no lost profits during that period of time.

Q Now, let me ask you to assume that there would be customers that would say, I don't have bounceback, I'm going to switch to an Apple.

Do you have any disagreements with Mr. Musika's calculations of the way he did profits for Apple, assuming there was a switch?

A I do. I think he's overstated the actual profits that would have been earned.

Q And if we can look at 3965.011. And the first point here, it says, uses worldwide prices instead of U.S. prices?

A What I'm talking about is Apple doesn't produce the information on a periodic basis that you would need to do the calculations in this case. This case is about the U.S. market. Apple only produces information on a product line basis on worldwide sales, but it does produce information to

* * *

[3074] Q Okay And also on that Samsung financial, it went down to the level of the operating segment telecommunications in which these phones are sold; correct?

A Yes.

Q And from that segment, you could also get revenue from the external customers and you could compare that to the overall revenue; correct?

A You can, and that's what we just did.

Q And what was that—okay. What you gave us was the—was that segment of profit margin?

A Correct, yes.

Q 15 percent. And if you went up to the entire company and compared revenue to operating income, what percentage was that?

A That's 10 percent for the overall company.

Q Okay. So 10 percent for the company, it's 15 percent for the, for telecommunications with those phones are sold, right?

A 11 to 15 percent.

Q And what you did, using more detailed information, was try to arrive at the operating income for these specific phones?

[3075] A That's true.

Q Okay. And what percentage did you have for that?

A For the—the calculation that I showed to the jury, 12 percent.

Q Okay. And so looking at Samsung's audited financials, what does that tell you about your calculation of the operating number?

A Well, when I look at all three pieces of information, mine appears to be reasonable, and it appears that telecommunications is a more profitable business to Samsung than a lot of their other businesses.

Q and what does that tell you about Mr. Musika's much, much, much higher number?

A Well, he's only looking at gross margin. I would expect that to be much larger.

MR. PRICE: Thank you.

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[3387] UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

Case No. C-11-01846 LHK

APPLE INC., a California Corporation,

Plaintiff,

vs.

SAMSUNG ELECTRONICS CO., LTD., a Korean business entity; SAMSUNG ELECTRONICS AMERICA, INC., a New York Corporation; SAMSUNG TELECOMMUNICATIONS AMERICA, LLC, a Delaware limited liability company,

Defendants.

San Jose, California
August 17, 2012

Transcript of Proceedings before the Honorable LUCY H. KOH United States District Judge

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Volume 11
Pages 3387-3711

Appearances on next page

Official court reporter: Lee-Anne Shortridge, CSR, CRR certificate number 9595 Irene Rodriguez, CSR, CRR certificate number 8074

* * *

[3466] Q Do you agree with Ms. Wong, the Samsung designer?

A No. 100 percent no.

Q And why do you disagree?

A Because on a touchscreen, what's important is that there's a target for your finger, and that doesn't need to be enclosed in a fence.

If you have something to aim at, and at times it might be an advantage just to have more space separating those targets.

But it's an option, not a requirement.

Q So just so we're clear, can you tell the jury whether, in your view as a designer, it is or is not necessary for icons, on a touchscreen on a smartphone, to be enclosed in a container?

A No .

[3467] Q It's not necessary?

A Not necessary.

Q If—can you tell us whether or not, if a designer chose to enclose icons in a container, the container necessarily has to be generally rectangular in shape?

A That is not necessary, no.

Q Why is that not necessary?

A Because if you choose to use a container, which I think frequently is a way, a metaphor for a real world button, which could be a good thing that people are familiar with pressing a button, but just like in the world, there's all kinds of ovals and squares and circles on blender and toasters and microwaves. Any of those could be rendered on a touchscreen.

Q So you're saying the metaphorical button, it could be in a variety of shapes?

A Yes.

Q And if the designer of a screen for a touchscreen display for a smartphone did decide to use a container of some shape or other, does it have to be colored?

A No. Sometimes black and white is strong and terrific.

[3468] Q Okay. Let's talk about one particular icon for a moment, the phone icon.

Can you tell us whether or not a designer who's designing a touchscreen for a smartphone, when they get to the phone icon, has to have a picture of a telephone handset on it?

A No, not necessary.

Q What other kinds of things could they do?

A Well, it could be a pad of numbers; it could be a shape of a generic phone; could be—I'm sure there's even things that we haven't used that might work that would mean communicate with a phone because it's really about making a call, not a particular physical object.

Q Let's say they did try to use, decide to use a picture, some kind of graphic of a handset. Does it have to be that retro style you talked about last time you were here?

A I think it could be stylized so it isn't so exactly in the shape of that retro phone.

Q And does it have to be in a particular position if you chose to use a handset?

A It doesn't have to be

Q Okay. I'd like to show you a smartphone called the Pantech Hotshot which has been marked as [3469] Exhibit PX 2277.

And, your Honor, this is a rebuttal Exhibit, and although these were not subject to the 200 limit, in order to respect the limit, we're interesting to take an exhibit off of our original list, so we won't go over 200 by marking this.

THE COURT: Okay.

BY MS. KREVANS:

Q Okay. What are we looking at right now on the screen, Dr. Kare?

A This is a smartphone application screen with—it's interesting because there's a mix of icon shapes.

At the top, there's four rows of three icons, and at the bottom, there's four icons. So it's kind of a different grid on top and bottom.

Q Okay.

MS. KREVANS: Your Honor, we would move PX 2277, the Pantech Hotshot into evidence.

THE COURT: Any objection?

MR. VERHOEVEN: No objection, your Honor.

THE COURT: It's admitted.

(Whereupon, plaintiff's Exhibit number 2277, having been previously marked for identification, was admitted into [3470] evidence.)

* * *

BY MS. KREVANS:

Q Can you tell us whether or not, Dr. Kare, the screen display on the Pantech Hotshot has the consistent icon style that Ms. Wong talked about?

* * *

THE WITNESS: The icons on—at the top of this screen don't have a consistent shape. They're—there's a mix of shapes.

BY MS. KREVANS:

Q Okay.

A So they're not in containers, and, you know, they're round, puzzle shaped.

Q What do you see in terms of the color choices that have been made with respect to the Pantech Hotshot?

A You know, they have some primary colors and [3471] they're—the icons at the top have colors, but the icons at the bottom of the screen where there's the four in a row are not color, and they're treated differently than the icons at the top.

Q Okay. Let me ask you, Dr. Kare, I know you're leaning into the screen so you can see it, if you can pull the mike a little closer to your mouth so we can all hear you, that would be great.

A Sorry.

Q What's the phone icon on the Pantech Hotshot?

A It's labeled keypad and it's a little grid of numbers.

Q Let me show you another smartphone. This one is called the Blackberry Storm. It's been marked for identification as Exhibit PX 2278.

MR. VERHOEVEN Your Honor, this is Mr. Verhoeven. You can't see me because of all the people.

For the record, we're showing these images and I think they're not casting any aspersions, but we're going to a specific screen on each of these phones and we should probably put what screen they're showing in the record.

MS. KREVANS: Your Honor, I thought I had done that.

[3472] Q Let me ask, Dr Kare, are we looking at the applications screens of each of those phones, Dr. Kare?

A Yes.

MS. KREVANS: Your Honor, we would move this Exhibit 2278.

We would move 2278, which is the BlackBerry Storm into evidence, and, again, we will take one Exhibit off of our original list to make room for this.

MR. VERHOEVEN: No objection, your Honor.

THE COURT: All right. That's admitted.

(Whereupon, defendant's Exhibit number 2278, having been previously marked for identification, was admitted into evidence.)

BY MS. KREVANS:

Q Can you tell the jury, with respect to the BlackBerry storm, Dr Kare, whether or not this application screen display has the consistent icon style described by Ms. Wong?

A No, it doesn't.

Q What does it have?

A It has almost monochromatic icons with some flat color accents.

[3473] So I think what jumps out is the icons are irregular shaped, there's not much color, they're all stylized, so that's what unifies those icons.

They are on really subtle button backgrounds that are sharp cornered rectangles that abutted each other with no space in between.

Q Okay. Going back to the Hotshot for a moment, are there containers on the Hotshot screen?

A No.

Q Okay. Let me show you one more.

A They're not consistent—just to be really clear, there's not a consistent container shape.

Q Okay. Where do you see containers?

A There are a couple icons, My Verizon and Media Center, that are rectangular that look more like buttons. But that's not the majority and it's not consistent.

Q Okay. Let's look at one more, and this is PX 158-A, which is in evidence.

So if we could switch back, Thomas, to your screen.

Dr. Kare, can you tell the jury whether or not the application screens of the BlackBerry Torch 9850, which is shown on 158-A, have the [3474] consistent icon style talked about by Ms Wang?

A No.

Q Do they have containers?

A No.

Q Just looking at these two and thinking about the other two that we just saw, the Pantech Hotshot application screen and the BlackBerry Storm, do any of these screen displays have designs that are substantially similar to the D'305 patent design and the iPhone home screen?

A No.

* * *

[Cross Examination of Susan Kare]

[3608] Q This is a slide I asked you about last time you testified; right?

[3609] A Correct.

Q And on the left we have these prior art references and we have the LG Prada, do you see that?

A I see that.

Q All these prior art devices have a rectangular shape with rounded corners; right?

A That's what I said last time, use.

Q The use of a rectangular shape with rounded corners for an electronic device, that's not something Apple owns, is it, sir?

A That general description certainly is not. The specific design that they produced is.

Q That element is not something that Apple owns, is it, sir?

A I'm not sure I understand the question.

Q Rectangular shape with rounded corners, does Apple own that?

A Apple owns a—the design of the phone with a rectangular shape as depicted in their patent with rounded corners.

* * *

[3712] UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

Case No. C-11-01846 LHK

APPLE INC., a California Corporation,

Plaintiff,

vs.

SAMSUNG ELECTRONICS CO., LTD., a Korean business entity; SAMSUNG ELECTRONICS AMERICA, INC., a New York Corporation; SAMSUNG TELECOMMUNICATIONS AMERICA, LLC, a Delaware limited liability company,

Defendants.

San Jose, California
August 20, 2012

Transcript of Proceedings before the Honorable LUCY H. KOH United States District Judge

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Volume 12
Pages 3712-3940

Appearances on next page

Official court reporter: Lee-Anne Shortridge, CSR, CRR certificate number 9595 Irene Rodriguez, CSR, CRR certificate number 8074

* * *

[Samsung Oral Objections To Jury Instructions]

[3912] We also object to the failure of—to instruct on a causation requirement along the lines of what we had proposed in our instruction number 42

* * *

[3915] MR. ZELLER. And then for reasons we've already talked about previously, Your Honor, both including on the Daubert motion and prior motions, we do object to the lack of an apportionment instruction.

And also we object to not including the language that we proposed, because we don't think it's a correct statement of the law that just because the design, as Apple alleges, applied to the front face of these articles, the outside of it, that they can then recover for the underlying [3916] technology.

And, in fact, that's the exact kind of situation that the *Piano* cases found were a windfall, and we briefed this previously, your honor.

THE COURT: I know there's no apportionment for Samsung profits in design patent cases.

I'm assuming there is apportionment if Apple is asking for Apple's profits. Is that right?

MR. ZELLER: Absolutely.

THE COURT: Yeah.

MR. ZELLER: And also, Your Honor, what I'm talking about with the *Piano* cases, just to be clear, there's not apportionment. It's actually the definition of what the article is.

And in the *Piano* cases, basically the article was the outside of the piano and the recovery that was given

was for all of the profits from the sale of the piano, and the court said that was essentially a windfall because the workings of it, it's not apportionment, it's rather that was the article to which the design was applied That's what the profits have to be from

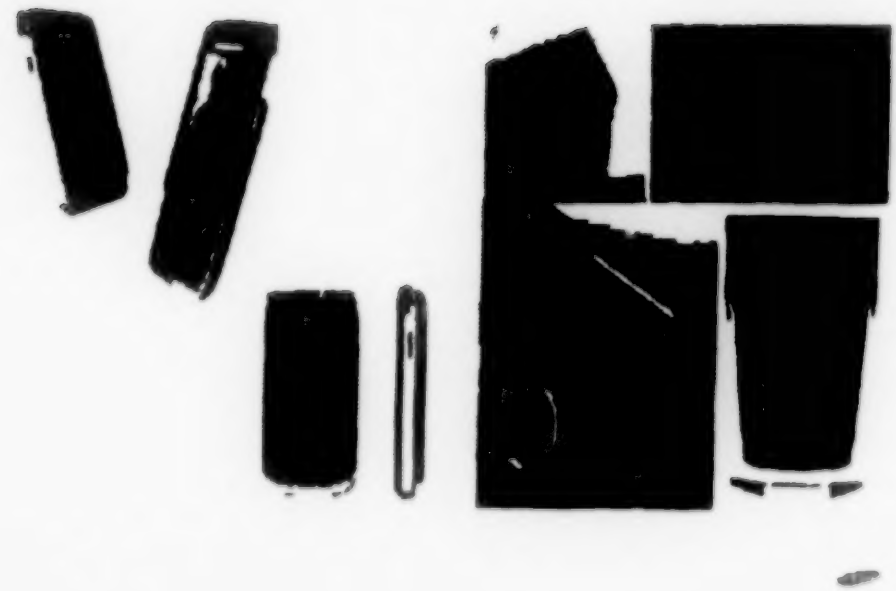
[3917] THE COURT Okay

MR ZELLER With respect to Number 41—excuse me, Number 42 1 on design patent damages, profits, we would object to the omission of our proposed instruction

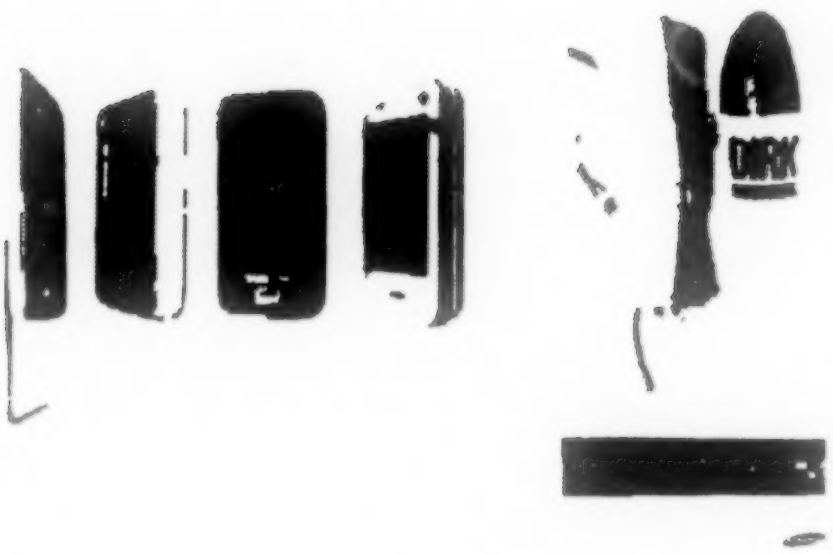
* * *

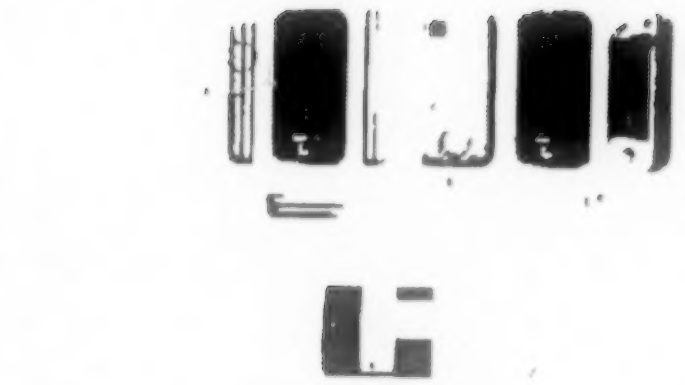
EXHIBIT L TO SAMSUNG'S PROFFER OF WITNESS TESTIMONY AND EXHIBITS MPCP PROJECT 2006

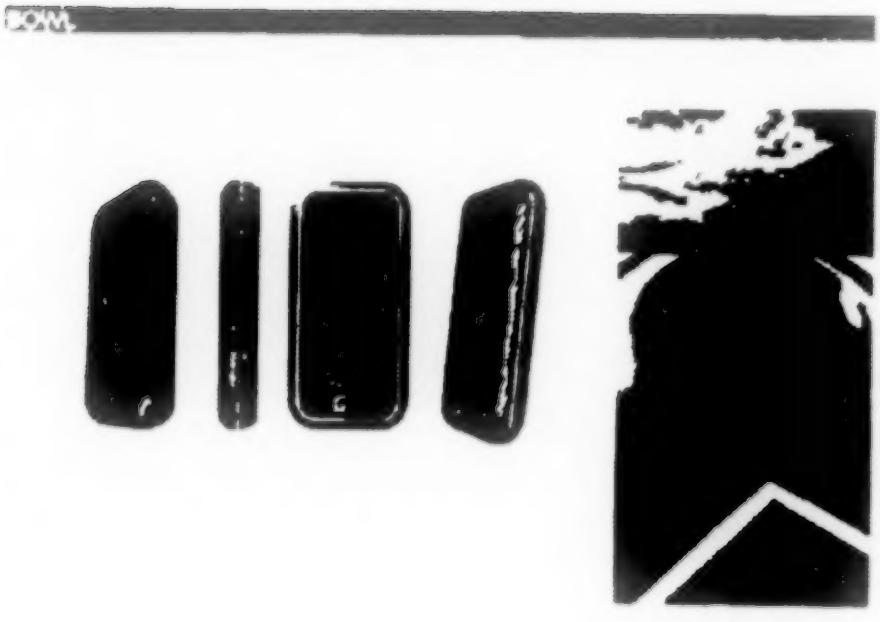
(Filed 8/21/12)

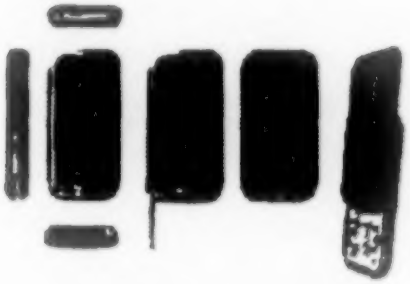


FRAMER

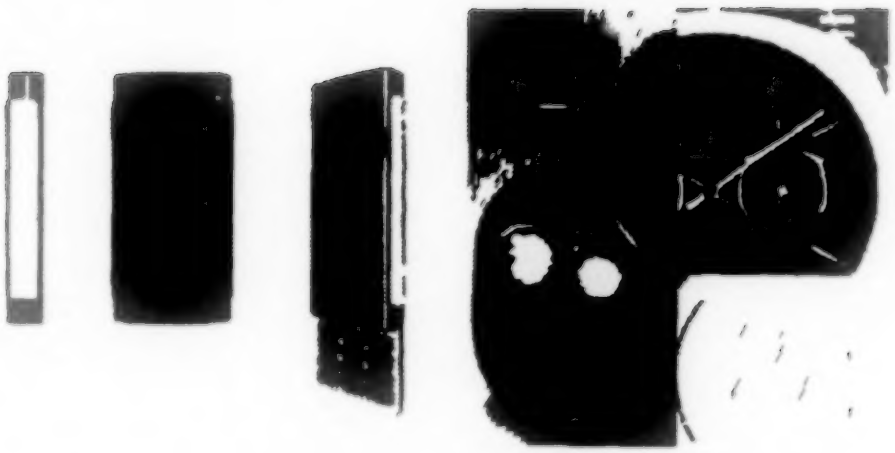








WRAP

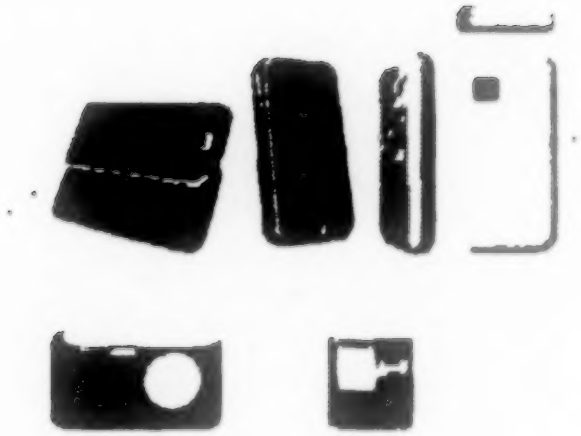


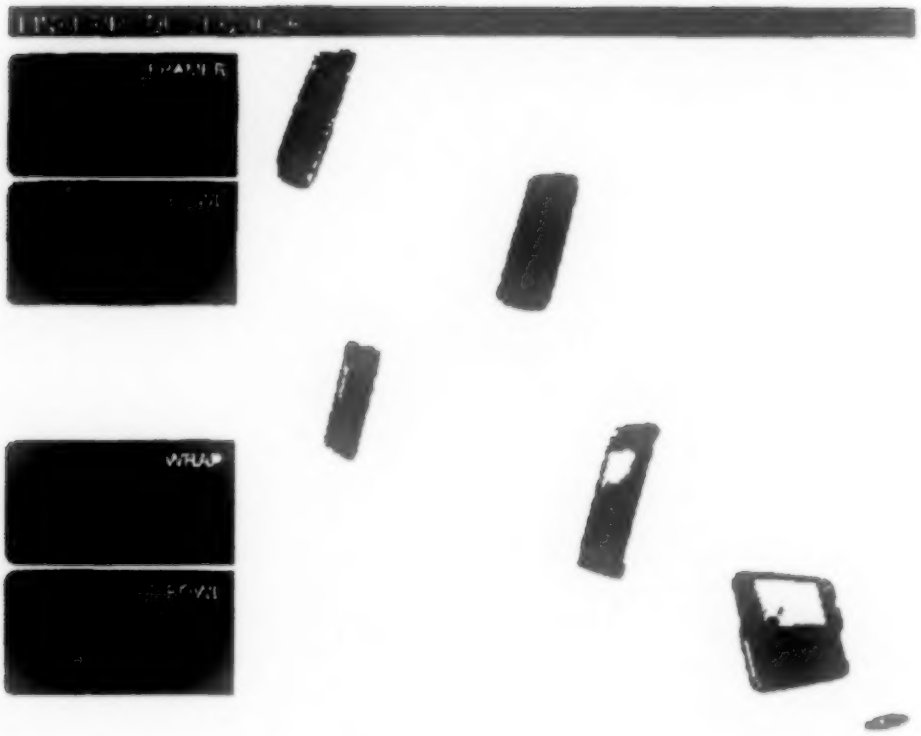
WRAP

WRAP

Q BOWL

Q BOWL





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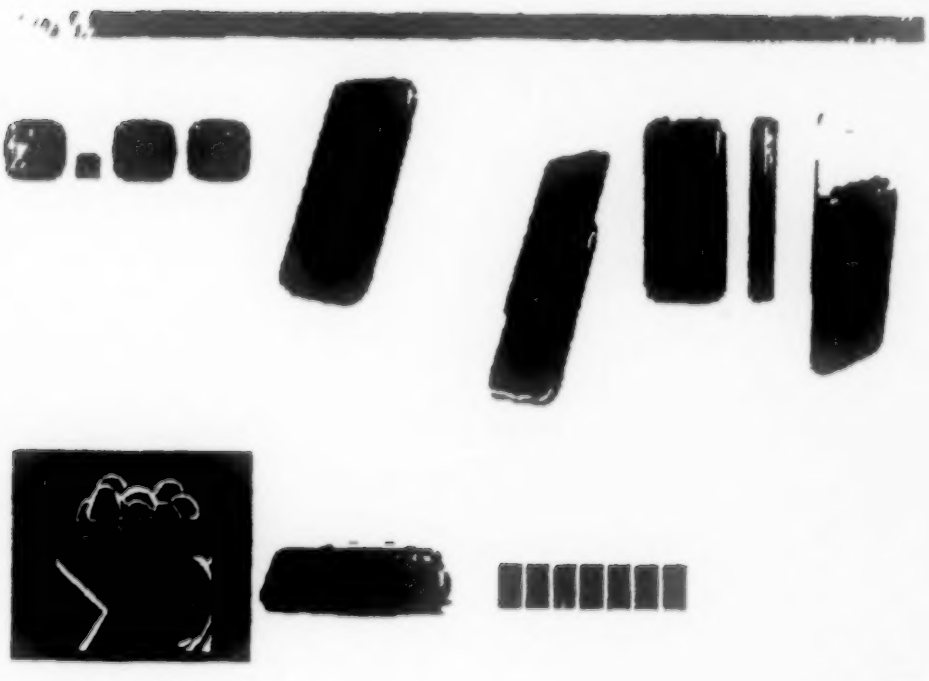
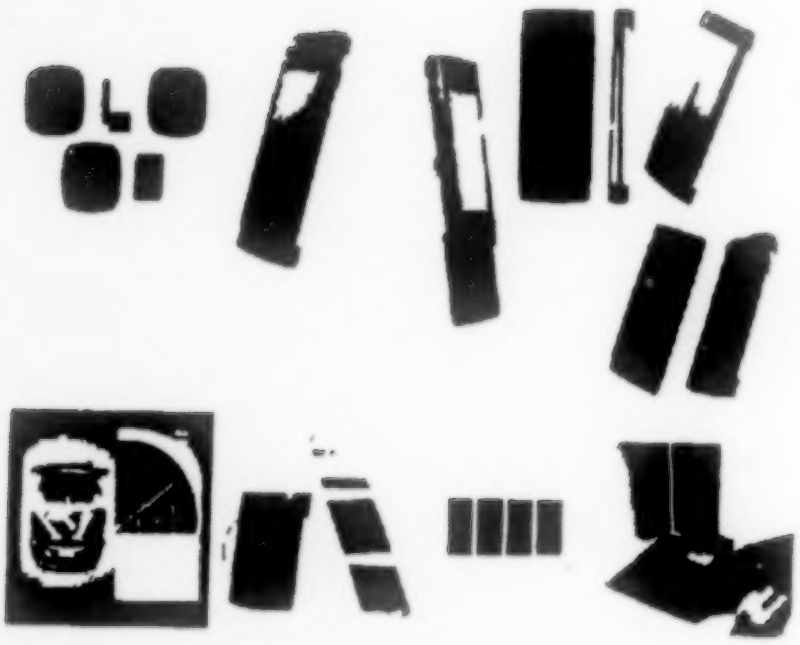


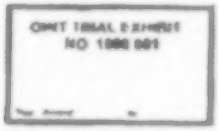
MRAP



Q BOW-

EXHIBIT P TO SAMSUNG'S PROFFER OF WITNESS TESTIMONY AND EXHIBITS KOREAN DESIGN REGISTRATION 30-0452985 S2

(Filed 8/21/12)



CERTIFICATION OF TRANSLATION

I certify that the Korean to English translation of the Korean document entitled *KR30-0452985 (KR30-2006-00507696)* is and accurate and complete rendering of the contents of the source document to the best of my knowledge and ability I further certify that I am a qualified professional translator familiar with both languages with more than twenty years of experience in Korean to English translation of various legal, technical or business documents including a number of legal evidentiary documents submitted to various courts in the United States

December 23, 2011

/s/ Alex N Jo

Alex N Jo, Translator

Registered Design 30-0452985 S2

[LOGO]

(19) Korea Intellectual Property Office (KIPO) (KR)

(12) Official Gazette of Registered Industrial Designs (S)

(52) Classification	H3-301
(45) Publication Date	August 27, 2007
(11) Registration No	30-0452985 52
(24) Registration Date	August 17, 2007

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(51) Int Cl	14-03
(21) Application No	30-2006-0050769
(22) Application Date	December 20, 2006

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(73) Design right holder Samsung Electronics Co , Ltd

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Gyeonggi-do, Korea

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Seocho-gu Seoul, Korea

(74) Agents

Myung Hyun Ryu

Gwang Je Woo

Examiner HyoSeok Han

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(54) Portable Phone

Physical Target Object of the Design

Portable phone

Description of the Design

1 It is made of metals and synthetic resin

2 It has a digital camera on top of the front surface

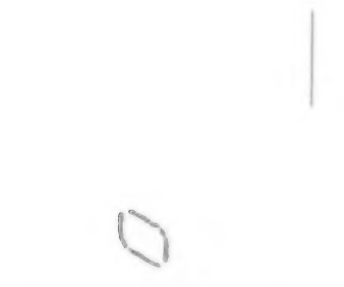
3 As illustrated in Informational Figure I, the key pad is aligned in the same manner as a QWERTY keyboard, allowing the user to use it in a horizontal direction

Main Points of the Creative Design Contents

Taking a folder type as a basic form factor, the present design emphasizes a smooth curve on the whole and expresses much simpler and more elegant sense of aesthetics

Registered Design 30-0452985 S2

[Perspective View]



[Frontal View]

Registered Design 30-0452985 S2

{Rear View}

{Left Lateral View}

Registered Design 30-0452985 S2

[Right Lateral View]

[Plan View]

[Bottom View]

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

Case No.: 11-CV-01846-LHK

APPLE, INC., a California corporation,

Plaintiff and Counterdefendant,

v.

SAMSUNG ELECTRONICS CO., LTD., A Korean business entity; SAMSUNG ELECTRONICS AMERICA, INC., a New York corporation; SAMSUNG TELECOMMUNICATIONS AMERICA, LLC, a Delaware limited liability company

Defendants and Counterclaimants.

Dated: August 21, 2012

FINAL JURY INSTRUCTIONS

/s/ Lucy H. Koh
LUCY H KOH
United States District Judge

FINAL JURY INSTRUCTION NO. 53
DESIGN PATENT DAMAGES—BURDEN OF PROOF

I will instruct you about the measure of damages for infringement of Apple's design patents. By instructing you on damages, I am not suggesting which party should win on any issue.

If you find that Samsung Electronics America, Samsung Telecommunications America, and/or Samsung Electronics Company infringed any valid Apple design patent, you must then determine the money damages to award Apple. The amount of those damages must be adequate to compensate Apple for the infringement You should keep in mind that the damages you award are meant to compensate the patent holder and not to punish an infringer.

In relation to design patents, Apple can elect to prove either actual damages, known as compensatory damages, or it may elect to prove the defendant's profits as its measure of potential recovery with respect to the sale of each unit of an infringing product. As compensatory damages, Apple may prove either its own lost profits, or a reasonable royalty for the design patent. Apple is not entitled to recover both compensatory damages and defendant's profits on the same sale.

Apple has the burden to prove that Apple's calculation of damages is correct by a preponderance of the evidence. While Apple is not required to prove its damages with mathematical precision, it must prove them with reasonable certainty Apple is not entitled to damages that are remote or speculative

FINAL JURY INSTRUCTION NO. 54
DESIGN PATENT INFRINGEMENT
DAMAGES—DEFENDANT'S PROFITS

In this case, Apple seeks Samsung Electronics Company's, Samsung Electronics America's, and Samsung Telecommunications America's profits from sales of products alleged to infringe Apple's design patents. If you find infringement by any Samsung defendant and do not find Apple's design patents are invalid, you may award Apple that Samsung defendant's total profit attributable to the infringing products.

The "total profit" of Samsung Electronics Company, Samsung Electronics America and/or Samsung Telecommunications America means the entire profit on the sale of the article to which the patented design is applied, and not just the portion of profit attributable to the design or ornamental aspects covered by the patent. "Total profit" does not include profit attributable to other products that may be sold in association with an infringing article embodying the patented design.

If you find infringement by any Samsung defendant, Apple is entitled to all profit earned by that defendant on sales of articles that infringe Apple's design patents. Profit is determined by deducting certain expenses from gross revenue. Gross revenue is all of the infringer's receipts from the sale of articles using any design found infringed. Apple has the burden of proving the infringing defendant's gross revenue by a preponderance of the evidence.

Expenses can include costs incurred in producing the gross revenue, such as the cost of the goods. Other costs may be included as deductible expenses if they

are directly attributable to the sale or manufacture of the infringing products resulting in a nexus between the infringing products and the expense. Samsung has the burden of proving the deductible expenses.

FINAL JURY INSTRUCTION NO. 55 DESIGN PATENT DAMAGES—LOST PROFITS

Apple may alternatively recover compensatory damages in the form of lost profits. As previously explained, Apple may not recover both Samsung's profits and compensatory damages on each sale of an infringing product. In assessing Apple's right to recover lost profits for Samsung Electronics Company's, Samsung Electronics America's, and Samsung Telecommunications America's infringement of its design patents, you should apply the same rules I already explained in the context of lost profits for infringement of Apple's utility patents. Those Instructions are set out in Jury Instruction Nos. 36, 37, 38, and 39.

Wherever in those Instructions I referred to Apple's utility patents, you should now focus on Apple's design patents. Wherever in those Instructions I referred to the patented invention, you should now focus on the patented design. Wherever in those Instructions I referred to patented products or products covered by a patent claim, you should now focus on products or articles that use or embody the patented design.

FINAL JURY INSTRUCTION NO. 56 DESIGN PATENT DAMAGES—REASONABLE ROYALTY

If Apple has not proved its claim for lost profits or has not proved its claim to Samsung's profits, then Apple should be awarded a reasonable royalty for all infringing sales by Samsung Electronics America, Samsung Telecommunications America, and/or Samsung Electronics Company. In no event should the

damages you award Apple for design patent infringement be less than a reasonable royalty.

The definition of a reasonable royalty for design patent infringement is the same as the definition I explained to you in Jury Instruction No. 41 for utility patent infringement. However, wherever in that Instruction I referred to the patented invention or a utility patent, you should now focus on the design patents or patented designs.

[1] UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

[Filed 08/24/12]

Case No. 11-CV--01846 LHK

APPLE INC., a California Corporation,

Plaintiff,

v.

SAMSUNG ELECTRONICS CO., LTD., a Korean business entity; SAMSUNG ELECTRONICS AMERICA, INC., a New York Corporation; SAMSUNG TELECOMMUNICATIONS AMERICA, LLC, a Delaware limited liability company,

Defendants.

SAMSUNG ELECTRONICS CO., LTD., a Korean business entity; SAMSUNG ELECTRONICS AMERICA, INC., a New York Corporation; SAMSUNG TELECOMMUNICATIONS AMERICA, LLC, a Delaware limited liability company,

Counterclaim-Plaintiffs.

v.

APPLE INC., a California Corporation,

Counterclaim-Defendant.

Amended
Verdict Form

We, the jury, unanimously agree to the answers to the following questions and return them under the instructions of this Court as our verdict in this case.

* * *

[6] 5. For each of the following products, has Apple proven by a preponderance of the evidence that Samsung Electronics Co (SEC) and/or Samsung Telecommunications America (STA) has infringed the D'677 Patent?

(Please answer in each cell with a "Y" for "yes" (for Apple), or with an "N" for "no" (for Samsung). Do not provide an answer for any cell that is blacked out.)

Accused Samsung Product	Samsung Electronics Co., Ltd	Samsung Telecommunications America, LLC
Fascinate (JX 1013)	Y	Y
Galaxy Ace (JX 1030)	N	[redacted]
Galaxy S (i9000) (JX 1007)	Y	[redacted]
Galaxy S 4G (JX 1019)	Y	Y
Galaxy S II (AT&T) (JX 1031)	Y	Y
Galaxy S II (i9100) (JX 1032)	Y	[redacted]

Galaxy S II (T-Mobile) (JX 1033)	Y	Y
Galaxy S II (Epic 4G Touch) (JX 1034)	Y	Y
Galaxy S II (Skyrocket) (JX 1035)	Y	Y
Galaxy S Showcase (i500) (JX 1017)	Y	Y
Infuse 4G (JX 1027)	Y	Y
Mesmerize (JX 1015)	Y	Y
Vibrant (JX 1010)	Y	Y

6. For each of the following products, has Apple proven by a preponderance of the evidence that Samsung Electronics Co. (SEC) and/or Samsung Telecommunications America (STA) has infringed the D'087 Patent?

(Please answer in each cell with a "Y" for "yes" (for Apple), or with an "N" for "no" (for Samsung). Do not provide an answer for any cell that is blacked out.)

Accused Samsung Product	Samsung Electronics Co., Ltd	Samsung Telecommunications America, LLC
Galaxy S (i9000) (JX 1007)	Y	[redacted]

Galaxy S 4G (JX 1019)	Y	Y
Galaxy S II (AT&T) (JX 1031)	N	N
Galaxy S II (i9100) (JX 1032)	N	[redacted]
Galaxy S II (Epic 4G Touch) (JX 1034)	N	N
Galaxy S II (Skyrocket) (JX 1035)	N	N
Infuse 4G (JX 1027)	N	N
Vibrant (JX 1010)	Y	Y

7. For each of the following products, has Apple proven by a preponderance of the evidence that Samsung Electronics Co. (SEC) and/or Samsung Telecommunications America (STA) has infringed the D'305 Patent?

(Please answer in each cell with a "Y" for "yes" (for Apple), or with an "N" for "no" (for Samsung). Do not provide an answer for any cell that is blacked out.)

Accused Samsung Product	Samsung Electronics Co., Ltd	Samsung Telecommunications America, LLC
Captivate (JX 1011)	Y	Y
Continuum (JX 1016)	Y	Y
Droid Charge (JX 1025)	Y	Y
Epic 4G (JX 1012)	Y	Y
Fascinate (JX 1013)	Y	Y
Galaxy S (i9000) (JX 1007)	Y	[redacted]
Galaxy S 4G (JX 1019)	Y	Y
Galaxy S Showcase (i500) (JX 1017)	Y	Y
Gem (JX 1020)	Y	Y
Indulge (JX 1026)	Y	Y
Infuse 4G (JX 1027)	Y	Y
Mesmerize (JX 1015)	Y	Y
Vibrant (JX 1010)	Y	Y

* * *

[9] 10. If you answered "Yes" to any of Questions 1 through 9, and thus found that any Samsung entity has infringed any Apple patent(s), has Apple proven by clear and convincing evidence that the Samsung entity's infringement was willful?

(Please answer in each cell with a "Y" for "yes" (for Apple), or with an "N" for "no" (for Samsung).)

Apple Utility and Design Patents	Samsung Electronics Co., Ltd	Samsung Electronics America, Inc	Samsung Telecommunications America, LLC
'381 Patent (Claim 19)	Y	Y	Y
'915 Patent (Claim 8)	Y	Y	Y
'163 Patent Claims 50)	Y	Y	Y
D'677 Patent	Y	[redacted]	Y
D'087 Patent	N	[redacted]	N
D'305 Patent	Y	[redacted]	Y
D'889 Patent	N	N	N

11. Has Samsung proven by clear and convincing evidence that Apple's asserted utility and/or design patent claims are invalid?

'381 Patent (Claim 19)	Yes__ (for Samsung)	No ✓ (for Apple)
'915 Patent (Claim 8)	Yes__ (for Samsung)	No ✓ (for Apple)
'163 Patent Claims 50)	Yes__ (for Samsung)	No ✓ (for Apple)
D'677 Patent	Yes__ (for Samsung)	No ✓ (for Apple)
D'087 Patent	Yes__ (for Samsung)	No ✓ (for Apple)
D'305 Patent	Yes__ (for Samsung)	No ✓ (for Apple)
D'889 Patent	Yes__ (for Samsung)	No ✓ (for Apple)

* * *

[15]

DAMAGES TO APPLE FROM SAMSUNG
(IF APPLICABLE)

22. What is the total dollar amount that Apple is entitled to receive from Samsung on the claims on which you have ruled in favor of Apple?

$1,049,343,540.00

8/29/12

23. For the total dollar amount in your answer to Question 22, please provide the dollar breakdown by product.

Accused Samsung Product	Amount
Captivate (JX 1011)	80,840,162
Continuum (JX 1016)	16,399,117
Droid Charge (JX 1025)	50,672,869
Epic 4G (JX 1012)	130,180,896
Exhibit 4G (JX 1028)	1,081,820
Fascinate (JX 1013)	143,539,179
Galaxy Ace (JX 1030)	0
Galaxy Prevail (JX 1022)	57,867,383
Galaxy S (i9000) (JX 1007)	0
Galaxy S 4G (JX 1019)	73,344,668
Galaxy S II (AT&T) (JX 1031)	40,494,356
Galaxy S II (i9100) (JX 1032)	0
Galaxy S II (T-Mobile) (JX 1033)	83,791,708
Galaxy S II (Epic 4G Touch) (JX 1034)	100,326,988
Galaxy S II (Skyrocket) (JX 1035)	32,273,558
Galaxy S Showcase (i500) (JX 1017)	22,002,146

Galaxy Tab (JX 1036)	1,966,691
Galaxy Tab 10.1 (WiFi) (JX 1037)	833,076
Galaxy Tab 10.1 (4G LTE) (JX 1038)	0
Gem (JX 1020)	4,075,585
Indulge (JX 1026)	16,011,184
Infuse 4G (JX 1027)	44,792,974
Intercept (JX 1009)	0
Mesmerize (JX 1015)	53,123,612
Nexus S 4G (JX 1023)	1,828,297
Replenish (JX 1024)	3,350,256
Transform (JX 1014)	953,060
Vibrant (JX 1010)	89,673,957

* * *

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

[Filed 11/11/13]

Case No.: 11-CV-01846-LHK

APPLE, INC., a California corporation,

Plaintiff,

v.

SAMSUNG ELECTRONICS CO., LTD., A Korean business entity; SAMSUNG ELECTRONICS AMERICA, INC., a New York corporation; SAMSUNG TELECOMMUNICATIONS AMERICA, LLC, a Delaware limited liability company

Defendants.

SUPPLEMENTAL ORDER REGARDING APPLE'S OBJECTIONS TO SAMSUNG'S OPENING SLIDES

Apple has objected to certain slides that Samsung plans to use in its opening statement. *See* ECF No. 2671. After considering Apple's objections and Samsung's responses, *see* ECF No. 2669, the Court issued an order ruling on all but one set of Apple's objections, *see* ECF No. 2696 The remaining set of objections relates to Samsung's slides that reference certain exhibits related to a Samsung prototype phone called the F700. For the 2012 trial, because Samsung failed to disclose its invalidity theories based on the F700 in a timely manner, the Court excluded certain

evidence and argument related to the F700 to the extent Samsung sought to use it to show independent development. *See* ECF Nos. 1267 at 3 ¶ 3; 1456 at 2 (sustaining objections as to Samsung's proposed opening slides 16-19); ECF No 1510 at 2 (denying motion for reconsideration).

However, the Court allowed Samsung to introduce the F700 during the 2012 trial as evidence of alternative designs and functionality. ECF No. 1690 at 9 ("Samsung has generally been permitted to rely on the F700 for alternative design and functionality purposes . . . ."); *see also* ECF No. 1947 at 7 (Exh. DX 526: "Do not consider as evidence of invalidity or non-infringement. However, you may consider as evidence of alternative designs and functionality."). The slides currently at issue refer to the same evidence and argument of independent development that the Court excluded in the 2012 trial. For the reasons set forth below, the Court SUSTAINS Apple's objections with respect to those slides.

DISCUSSION

Samsung's F700 handset was a prototype phone with a rectangular shape, rounded corners, and a rectangular display screen. Samsung apparently had various internal names for the F700. One of the designers of the F700, Hyoung Shin Park, testified that Samsung referred to it as "Bowl" and "Q Bowl" to "express[] the feeling of containing water in a bowl." ECF No. 1443 at 15:1-16:2. Apple contends, without dispute, that Samsung also referred to the F700 as "Vessel," "Slide," and "iReen." ECF No. 1441 at 2. Ms. Park is a named inventor of a Korean design patent assigned to Samsung (KR30-0452985) on which the F700 was allegedly based. *See* ECF No. 2255-19 at 38-39. The slides currently under review use these

internal names for the F700 and also reference KR'985.

Magistrate Judge Grewal struck the expert report of Samsung's expert Itay Sherman to the extent it relied on Samsung's F700 handset to support the obviousness of the D'677 patent. *See Apple, Inc. v. Samsung Elecs. Co., Ltd.*, 2012 WL 2499929, *3 (June 27, 2012); *see also* ECF No. 2255-19 at 38-40, 57-58 (portions of Sherman's expert report referencing the F700). This Court affirmed that order, concluding that "Judge Grewal did not clearly err in finding that Samsung's disclosure of prior art references, witnesses, and documents in discovery was not sufficient to 'make known' to Apple, Samsung's theories of invalidity . . . ." *Apple, Inc. v. Samsung Elecs. Co., Ltd.*, 2012 WL 3155574, *5 (Aug. 2, 2012); *see id.* ("Samsung's response to Apple's contention interrogatory . . . [seeking] disclosure of Samsung's theories of anticipation, obviousness, and other grounds of invalidity, contained 595 prior art references comprising 5,600 pages of documents. It would have been difficult, if not impossible, for Apple to have known which prior art references and evidence were intended to support which theory . . . .").

Notwithstanding Judge Grewal's ruling, Samsung sought to use slides in its opening statement in the 2012 trial that relied on exhibits related to the F700. *See* ECF No. 1441 at 2 (Apple's objections to slides 11-19). This Court sustained Apple's objections to those slides based on Judge Grewal's order. *See* ECF No. 1440 at 2. Samsung moved for reconsideration, arguing that a subset of those slides went to Samsung's argument that it independently developed the features at issue and therefore Samsung should have been able to use them to rebut Apple's allegations of

copying. *See* ECF No. 1463 at 2. This Court denied Samsung's motion. *See* ECF No. 1510 at 2. Also during the 2012 trial, this Court excluded Ms. Park's testimony, which Samsung proffered in part to rebut Apple's allegations of copying or willfulness. *See* ECF No. 1690 at 8-9.

The Court excluded Samsung's evidence related to the alleged independent development of the F700 because it was concerned the jury was likely to consider that evidence for purposes of invalidity, a purpose that had been excluded by Judge Grewal. *Id.* at 9. The Court also was concerned that the jury would impermissibly use evidence of Samsung's independent design of the F700 as a basis to conclude that Apple's D'677 patent was obvious. It is well settled that "[i]ndependently made, simultaneous inventions, made 'within a comparatively short space of time,' are persuasive evidence that the claimed apparatus 'was the product only of ordinary mechanical or engineering skill.'" *Geo. M. Martin Co. v. Alliance Machine Sys. Int'l LLC*, 618 F.3d 1294, 1305 (Fed. Cir. 2010) (quoting *Concrete Appliances Co. v. Gomery*, 269 U.S. 177, 184 (1925)). That concept applies equally to design patents. See 35 U.S.C. § 171 ("The provisions of this title relating to patents for inventions shall apply to patents for designs, except as otherwise provided."); *see also Apple, Inc. v. Samsung Elecs. Co.*, 678 F.3d 1314, 1330 (Fed. Cir. 2012) (relying on the perspective of "a designer of ordinary skill who designs articles of the type involved" to determine obviousness) (internal quotation marks omitted). This concept reflects a common sense understanding that a claimed invention is more likely to be obvious if a number of people reached the same result under similar circumstances. *See KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398, 420 (2007) ("When there is

a design need or market pressure to solve a problem and there are a finite number of identified, predictable solutions, a person of ordinary skill has good reason to pursue the known options within his or her technical grasp.").

As the preceding discussion makes clear, the Court previously excluded evidence related to the F700 to the extent Samsung sought to present it to prove independent development of the patented features. Because Samsung was precluded from using this evidence for this purpose in the 2012 trial, it cannot use it for the same purpose in this trial either.

The Court has reiterated that this limited damages retrial must hew as close as possible to the 2012 trial in order to merely correct for the 2012 jury's use of improper notice dates. *See, e.g.*, ECF No. 2369 at 2; ECF No. 2316 at 2-3. Accordingly, the Court has generally barred the parties from attempting to present exhibits or witnesses that were not timely disclosed and admissible at the 2012 trial. *See* ECF No. 2575 at 2. Samsung has not presented a compelling reason to break from that general rule here. To the contrary, allowing Samsung's evidence of independent development could be more prejudicial to Apple in the retrial than it was in the first case, as doing so runs the risk of inviting this jury to question the validity of Apple's D'677 patent, an issue that the 2012 jury decided against Samsung.

The prejudice to Samsung of maintaining this Court's exclusion of its independent-development arguments related to the F700 is low. Samsung was forced to rebut Apple's allegations of copying in the 2012 trial without reference to this evidence, and Samsung was not expecting to be able to use it in the retrial. *See* ECF No. 2486-5 at 22 (Samsung's exhibit

list, including the exhibits referenced in the disputed slides as those "not intended to be used at trial"). Moreover, Samsung's inability to use this information is a direct consequence of its failure to timely disclose its invalidity theories leading up to the 2012 trial. Finally, the Court notes that the probative value of this evidence is low, as it is only indirectly related to the purpose for which Samsung seeks to present it, namely, to rebut evidence of demand for the patented product, the iPhone.

Samsung argues that sustaining Apple's objection to these slides is inconsistent with this Court's 2012 ruling on Apple's motion in limine, in which the Court excluded certain internal Samsung documents but held that they were "admissible for other purposes, including to rebut an allegation of copying." ECF No. 1267 at 3. However, that ruling was limited to anticipation under § 102, for which independent development has minimal relevance. On the other hand, the Court excluded the F700 independent development theory when concerned about the danger that the independent development theory would confuse the jury about obviousness. Samsung also notes that the KR '985 reference is not prior art. The Court does not see this fact as making the introduction of KR '985 less confusing for the jury. To the contrary, it is likely to introduce more confusion in this retrial, as the retrial jury will not otherwise need to be introduced to the concept of invalidity and priority dates. Moreover, the only witness Samsung has offered to sponsor KR '985 is Ms Park. *See* ECF No. 2523 at 47-53 (Samsung's proffer). The Court invited the parties to reach an agreement regarding the admission of Ms. Park's testimony, *see* ECF No 2645 at 2; 11/5/13 Hr'g Tr. at 37, but as of yet they have not

done so. Without that agreement, Ms. Park's testimony on this subject is inadmissible.

However, as stated above, the Court allowed Samsung to introduce the F700 during the 2012 trial as evidence of alternative designs and functionality and will do so again in the retrial. *See* ECF No. 1690 at 9 ("Samsung has generally been permitted to rely on the F700 for alternative design and functionality purposes . . . ."); see also ECF No. 1947 at 7 (Exh. DX 526: "Do not consider as evidence of invalidity or non-infringement. However, you may consider as evidence of alternative designs and functionality.").

CONCLUSION

For the foregoing reasons, Apple's objections to Samsung's opening slides 34, 41, 52, 53, 61, 63, 70, 93, 105, 115, 134, 160, 161, and 163 are SUSTAINED. However, as in the 2012 trial, the Court will allow Samsung to introduce the F700 to support Samsung's theories of acceptable noninfringing alternatives during the retrial. *See* ECF No. 1690 at 9; *see also* ECF No. 1947 at 7.

IT IS SO ORDERED.

November 11, 2013

/s/ Lucy H. Koh
LUCY H. KOH
United States District Judge

[559] UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

C-11-01846 LHK

APPLE, INC., a California corporation,

Plaintiff,

vs.

SAMSUNG ELECTRONICS CO., LTD., A Korean business entity; SAMSUNG ELECTRONICS AMERICA, INC., a New York corporation; SAMSUNG TELECOMMUNICATIONS AMERICA, LLC, a Delaware limited liability company

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San Jose, California
November 14, 2013

Volume 3
Pages 559-809

Transcript of proceedings before the Honorable LUCY H. KOH United States District Judge

Appearances on next page

Official court reporter. Lee-Anne Shortridge, CSR, CRR Certificate number 9595

Proceedings recorded by mechanical stenography transcript produced with computer

* * *

[Direct Examination of Julie Davis]

MS. KREVANS: Your Honor, we'd offer Ms. Davis as an expert witness on the assessment of the appropriate damages for the patent infringement in this case.

THE COURT: Any additional voir dire or objection?

MR. PRICE: No, Your Honor, no objection.

THE COURT: All right. So certified

Go ahead, please.

BY MS. KREVANS:

Q. Could you explain to the jury the specific assignment that you were asked to take on in this case?

A. As I mentioned, I was asked to determine the amount of damages that Samsung should pay to Apple for having infringed the five specific patents in this case, and for the 13 particular products in this case.

Q. And could you summarize what you did to carry out that assignment?

A. What I did was to review the evidence that had been presented in the first trial, or for the first trial, and I [623] have also picked up where one of the prior experts left off in analyzing the damages for these specific products.

Q. And who was that expert?

A. That was Mr. Terry Musika. Sadly, Mr. Musika passed away last December. I was asked to step into his shoes and complete the calculation to present it to you today.

Q. And what was the name of the firm that worked with Mr. Musika?

A. His firm was named Invotex, and I worked with the same individuals at Invotex since then as he had worked with in preparation for the first trial.

Q. Can you estimate for us roughly how much time, in combination, Invotex, your staff, and you have spent on this assessment of how much damages Samsung should pay to Apple for the patent infringement at issue in this trial?

A. I know that as of the first trial, Mr. Musika and his colleagues had spent about 7,000 hours preparing the damages calculations and the damages database that I have since used.

I have spent about 400 hours personally since then reviewing that damages database and preparing the calculations for you.

And then my colleagues at Davis & Hosfield have spent another 500 hours assisting me with that.

* * *

[625] The 13 products down the side are the ones that have been found to infringe. Those are the Samsung products. Twelve of them are smartphones, one of them is a tablet.

And the three utility patents that they have been found to infringe are marked in the yellow boxes with the x's.

Q. I want to just get a couple pieces of terminology straight so we can all be clear about what you're saying.

First of all, you used the word "products." when you say "products," what should the jury understand you to mean?

A. I will try to use that, that term to mean the, call it the families or the names of those products.

So, for instance, the first one on the list is the Captivate, and I think we saw that one used earlier today as an example. So the particular phone model that is called the Captivate, I will refer to as a product or one of the infringing products.

Q. Okay. So a product is the same thing as a model?

A. I'll think of it that way.

Q. And we have 13 of them at issue in this trial?

A. We do.

Q. What did you mean when you said the word "unit"?

A. Unit, I mean any single phone. So, for instance, here's mine. This one happens to be an iPhone. But this is a unit (indicating). So when I talk about calculated damages, we had to do so for each individual unit.

[626] Q. Were the damages in this case calculated on a, literally a unit-by-unit basis?

A. They were, and I think we'll probably end up talking more about that.

Q. What are you depicting by the yellow highlighted on slide 4?

A. The yellow highlighting will be the patents that the, or the products, the 13 products that infringe the three utility patents, and you can see that for each of those products, I have marked with x's the specific patents that those products have been found to infringe.

Q. Okay. Can you explain to the jury what is meant by a notice date in assessing patent infringement damages?

A. I won't give you a legal definition since I'm not a lawyer, but my understanding of that term and the way I have used that is that is the date at which damages start, at least in this case.

Q. What are the notice dates, that is, the dates on which you started assessing damages, for the utility patents at issue in this case that are shown in the highlighted areas here?

A. I can tell you that the notice dates that I have used are for the '163, June 16th of 2011, and that relates to the products have X's below that.

The notice date for the '381 that I have used is August 4th of 2010 for the X's in the products that are marked

* * *

[650] Q. Okay Sticking with lost profits for a moment, why is demand relevant to the lost profits question?

A. Well, keeping in mind that the question is whether it's reasonably probable Apple would have made more sales, so one of the questions that has to be answered is, is there any demand for Apple's products? Did anybody want to buy Apple's products if Samsung was not selling the infringing products?

Q. And what conclusion did you reach about whether there was demand for the Apple products that competed with the Samsung products? That is, Apple smartphones and Apple tablets?

A. I think there's clearly demand for the iPhone and the iPad. We heard all about it yesterday from Mr.

Blevins. You probably already knew that Apple has sold hundreds of millions of iPhones and iPads around the world, and Mr. Blevins made it clear that they were pretty much selling like hotcakes.

Q. And what about demand for Apple's patented features? What did you conclude about that?

A. I believe there's also evidence of demand for Apple's patents features. That comes from information that I found in the files of both Apple and Samsung.

Q. And what—can you give us an example of the kind of [651] Apple document that you examined that was relevant to demand for the patented features?

A. There were a number of surveys that have been conducted by Apple, and I think you'll see a few of those probably with Mr. Schiller, who will be another witness in this case.

And they show that there is clearly demand for ease of use and the appearance as it relates to iPhones and iPads.

Q. Can you give us an example of the kind of Samsung document that you looked at that was relevant to the demand issue?

A. I reviewed a number of Samsung documents that are relevant to demand, and I listed them in my report, but I picked three of them that I thought would be useful to use as examples today.

Q. Okay. Could you look at PX 34 in your binder.

A. I have that.

Q. Okay. What is PX 34, Ms. Davis?

A This is a document that comes from Samsung's files. It's titled "feasibility review," and it's dated September of 2007.

MS. KREVANS. Your Honor, we move the admission of PX 34.

THE COURT: Any objection?

MR. PRICE: No objection.

THE COURT: It's admitted.

(Plaintiff's Exhibit 34 was admitted in evidence.)

THE COURT: Go ahead, please.

[652] MS. KREVANS: Thank you, your Honor.

Q. Ms. Davis, can you put the date of this document in context for the jury with respect to the launch of the iPhone, the first iPhone?

A. Recall that the first iPhone was launched earlier in the year 2007, so this is now several months after that launch. Q. And what is the, in general, the content of PX 34?

A. In general, I understand the content of this to be to understand what's happening in the smartphone market, and part of this particular document focuses on the effect that the iPhone is having in that market.

Q. Okay. Could you look at page 13 of PX 34? What did you find that you found relevant to your opinions on page 13?

A. As you see, on this page this is titled "smartphone market-present" and in the middle of the page, it refers to "4 mobile phone trends," and it details a list of those four.

It says, "our research has identified four key factors that we expect will shape handsets in the coming five years."

The first of those factors is the Apple iPhone.

And understand that this purple circle here was on the document I didn't put it there. That came out of Samsung's files that way.

So they clearly believed, or this document would suggest that they believed that the Apple iPhone was important in the smartphone market.

[653] Q. Okay. Just so we're clear about time period, this is a 2007 document; right?

A. Yes, it is.

Q. So why does it say 2012 at the top of the page?

A. I think that, as it says here, it's talking about how it's going to shape the market for the coming five years So in 2007 through 2012, they thought the iPhone was going to have a big impact on the market

Q. Okay. Could you look at page 38 of this same document from Samsung's files?

A. I have that.

Q. What did you find on page 38 that was relevant to your analysis of demand for Apple's products or the patented features?

A As you see on this page, it's titled "iPhone effect analysis," and in the middle of the bottom, or on the right, it says "factors that could make iPhone a success," and it lists four such factors. The first two of those are "easy and intuitive U/I," that means user interface, "that covers all user classes."

And the second one is "beautiful design."

Q. Okay. Looking back at your summary of the lost profits factors, the third thing you have under demand is "conjoint survey."

A. Yes.

[654] Q. What does that refer to?

A. That's referring to the survey that was prepared by Dr. Hauser that he discussed yesterday and this morning.

Q. And how did you use Dr. Hauser's results in your analysis?

A. I have used his results as an indicator of demand. The fact that people were willing to pay more for a product because it had certain features suggested to me that they wanted those features. Otherwise they wouldn't pay an extra $100 for them.

Q. Okay. Let's look at one more document before we move on from demand.

Could you look at PX 36 in your binder.

A. I have that.

Q. What is PX 36?

A. PX 36 is another document that comes directly from Samsung's files. It is one that was prepared by a consultant that was engaged by Samsung. That consultant's name was Gravity Tank

This document is dated December of 2008.

MS. KREVANS: Your Honor, we move the admission of PX 36.

THE COURT: Any objection?

MR. PRICE: No further objection.

THE COURT: It's admitted.

(Plaintiff's Exhibit 36 was admitted in evidence.)

THE COURT: Go ahead, please.

[655] BY MS. KREVANS:

Q. Okay. What is, overall, the nature of this document from Samsung's files, PX 36?

A. This is a document that has 177 pages and a lot of detail about the work that this particular consultant had done, but one of the things in particular was for that consultant to have interviewed Samsung customers and summarized those results.

Q. Does PX 36 have any content that, in your view, shows that there was demand for the iPhone and/or demand for the patented features in the iPhone?

A. Yes. There are several pages in here that are particularly pertinent. I would probably refer you to page 20 to begin with.

Q. Okay. This is an actual page from the document?

A. This is straight from the document.

Q. Okay.

A. And what we see here, as the title says, "pundits tell us that the iPhone is a revolution."

And the first one on the left says "Apple Inc.'s iPhone has been the world's most influential smartphone since its debut a year ago, widely hailed for its beauty and functionality."

Q. Could you look at page 31 of the Gravity tank report? What do we have here?

A. As we see on this page, the picture in the center is the [656] iPhone, and I understand that the face of

that iPhone is what's covered by the '677 design patent.

Q. And what did Samsung's consultant report to it about the design of the iPhone?

A. What it talks about, as we see in the heading, is the "screen-centric design has set the standard for touch."

And it goes on and says "the strong screen-centric design has come to equal what's on trend and cool for many consumers."

Q. Can you look at the next page? What did Samsung's consultant report to it on the next page?

A. As you see in the title, "for state of the art, Apple has overtaken Samsung as the most stylish brand overall."

Q. You've already talked about the design patent.

Did you find anything in this document that you thought was relevant to demand for the patented features of the utility patents, the non-design patents at issue in this case?

A. Yes. In fact, I would refer you to page 36.

Q. Okay. What did you find there that you think the jury should pay close attention to?

A. Well, this page is titled "the iPhone isn't just easy to use, it's sexy to use" and there are three pictures on here The first one is labelled "fun. Gestures like the two fingered pitch and flick add a game-like quality to interactions. The flip adds a level of cool."

I understand that particular functionality to be enabled [657] by the '915 patent.

The second picture is labeled "whimsical." it says "lists bounce, icons flitter—the iPhone has a sense of whimsy that shows a thoughtful character in the interface."

That bouncing list point I understand to be a functionality that's enabled by the '381 patent.

Q. Okay Can you give us one more example of a document that you found relevant to this issue of demand?

A. The third of the three examples that I pulled would be PX 40.

Q. Okay. Could you turn to that in your binder, and tell us what it is.

A. This is an e-mail exchange between executives at Samsung. It's dated February 11th of 2010, so this is still several months before the launch of the infringing products. It's titled "summary of executive level meeting, supervised by head of division."

Q. So just so our chronology is clear here, that first document you showed us, the feasibility review, that was from September of 2007?

A. That's correct.

Q. And then we have one from—

A. December of 2008 was the one we just looked at that was prepared by Samsung's consultant, Gravity tank.

Q. And now where are we?

[658] A. We are now in February of 2010.

MS. KREVANS: Okay. Your Honor, we move the admission of PX 40.

THE COURT: Any objection?

MR. PRICE: No further objection.

THE COURT: It's admitted.

(Plaintiff's Exhibit 40 was admitted in evidence.)

THE COURT: Go ahead, please.

BY MS. KREVANS:

Q. What did you find among this e-mail chain among Samsung executives—and this is a translation, of course. What did you find in this document that was relevant to the issue of demand?

A. Well, this document is summarizing some of the things that were said at that particular meeting, and on page 2, I would refer you about two-thirds of the way down to a line that starts with "I hear things like this: let's make something like the iPhone.

"When everybody (both consumers and the industry) talk about the user experience, they weigh it against the iPhone. The iPhone has become the standard. That's how things are already.

"Do you know how difficult the Omnia is to use?"

And understand that the Omnia was the Samsung product at the time, or one of the Samsung products.

[659] "When you compare the 2000 version of the iPhone with our current Omnia, can you honestly say the Omnia is better? If you compare the UX with the iPhone, it's a difference between heaven and earth."

Q. So this is a Samsung executive in 2010 saying the 2007 version of the iPhone was better?

A. Better than the Omnia that was being sold in 2010.

Q. What else did you find in this document that you thought was particularly relevant to the issue of demand?

A. Page 5 picks up on the discussion about heaven and earth. In the third paragraph, it says, "all this time we've been paying all our attention to Nokia, and concentrated our efforts on things like folder, bar, slide, yet when our user experience is compared to the unexpected competitor Apple's iPhone, the difference is truly that of heaven and earth."

And then in bold letters it says, "it's a crisis of design."

Q. Going back to—well, going back to the board, let me ask you one other question about the conjoint survey that Dr. Hauser did.

There are some dollar amounts associated with the results of his survey. Did you actually use those dollar amounts in assessing damages?

A. No. I was relying upon his survey as an indicator of demand.

[660] Q. Okay. What was your overall conclusion about whether there was demand for Apple's iPhones and iPads in the relevant time period?

A. There was clearly demand for Apple's iPhones and iPads during the overall time period.

Q. What was your overall conclusion about whether there was demand for Apple's patented features in that time period?

A. I think the Samsung documents that we just showed indicate that even Samsung had a demand for those features and functionalities.

Q. So I should check this box?

A. You can check that off.

* * *

[Cross Examination of Julie Davis]

[719] Q. So in your—in your direct, I thought that I heard you say—and if we can go back to slide 8—I thought I heard you say that introducing these phones is the reason Samsung's market share increased.

A. Well, I know that in that first quarter where you see the jump in the red line, 90 percent of that are infringing phones. So—

Q. I'm sorry. 90 percent—

A. 90 percent of that increase in 2010, in that red, red line that goes up—

Q. Um-hum?

A.—Are infringing phones.

* * *

[776] BY MR. PRICE:

Q So Ms. Davis, I want to ask you about a few phrases that were used and some of the documents you looked at.

And do you recall there was a document, it was PX 40, that talked about Omnia and that iPhone and—it was iPhone and Omnia was the difference between heaven and earth?

A I remember that. I have it here in front of me.

Q. And as you know, these phones here use the Android operating system that Google creates?

A. Yes.

Q. And that Omnia phone, that was a Microsoft Windows-based phone that really was horrible, wasn't it?

A. I'll take your word for it.

* * *

[Direct Examination of Philip Schiller]

[805] Q. From a marketing perspective, what was Apple trying to convey at this original announcement event?

A. This was a breakthrough product for us, and we think for the world, and we wanted to show people how beautiful the iPhone was, we cared a great deal about designing beautiful products at Apple, that it delivered some functionality, some uses for people that they would want to have with them all of the time.

There was a lot of value in this product and the things it would do, and that it would do these things in revolutionary, new ways that were completely intuitive and easy to use.

And those were some of the things we wanted to demonstrate [806] and get across to everyone in the world.

Q. Approximately how many people were present at the Moscone center for this event?

A. In the center, it holds a few thousand. I don't remember the count of that exact event, but a few thousand.

Q. And what was the—what was the atmosphere like?

A I always use the word "electric." That's how I recall it being.

Q. As you sit here today, do you remember actually being there at that event?

A. Oh, yes. I'll never forget it.

Q. What was the sort of immediate reaction to the announcement of the iPhone?

A. Well, huge reaction. The whole world had been waiting for this announcement All the rumors were that Apple was going to do a phone People had already called it iPhone before we announced what it was going to be called.

And there was press stories from everywhere in the world, and they varied from one extreme, people who were amazed by it, blown away by it, just loved it immediately, and there were others that were strong detractors and said this is a mistake and it would fail and we would fall flat on our face.

* * *

Exhibit A

Plaintiff's Exhibit No. 3038

Case Clip(s) Detailed Report
Wednesday, November 13, 2013, 12:13:29 AM

Apple v. Samsung

Lee, JunWon (Vol 01) - 03/05/2012 [Lee, Jun Won]

1 CLIP (RUNNING 00.03:51.568)

Plaintiff Affirmative (Damages Trial)

LEE-FINAL 9 SEGMENTS (RUNNING 00:03:51.568)

1. PAGE 7:25 TO 8:01 (RUNNING 00:00:03.900)

25 Q Good morning, Mr. Lee.

00008:01 A Good morning.

2. PAGE 9:01 TO 9:02 (RUNNING 00:00:08.200)

00009:01 Q Okay. Who is your employer?

02 A Samsung Electric—Electronics.

3. PAGE 9:06 TO 9:07 (RUNNING 00:00:11.800)

06 Q What is your job title?

07 A Director of licensing.

4. PAGE 33:21 TO 33:24 (RUNNING 00:00:33.067)

21 Q Okay. So at that first meeting that you

22 attended, Mr. Lee, do you recall Apple stating that

23 Samsung had copied Apple's products?

24 A Yes.

5. PAGE 37:06 TO 37:09 (RUNNING 00:00.33.233)

I'm going to mark, as Exhibit No. 1, a document titled "Samsung's Use of Apple Patents in Smartphones."

(Exhibit 1 was marked for identification by the court reporter.)

6. PAGE 37:21 TO 37:25 (RUNNING 00:00:41.634)

Q Mr. Lee, you testified earlier that you thought that Apple made a written presentation at the first meeting you attended.

Is this the written presentation that Apple provided at that meeting?

7. PAGE 38:02 TO 38:05 (RUNNING 00:00:24.900)

THE WITNESS: I don't remember the contents of this document entirely, but it appears to be the one.

MR. HEYISON: Okay.

THE WITNESS: To my recollection.

8. PAGE 59:14 TO 59:15 (RUNNING 00:00:34.034)

Did Apple ever offer Samsung a license to either design patents, trade dress, or transaction?

9. PAGE 59:18 TO 59:21 (RUNNING 00:00:40.800)

18 THE WITNESS: As I told you earlier, Apple did
19 not talk about trademark, trade dress, or design
20 patents; therefore, Apple's licensing proposal did not
21 include things about those.

TOTAL: 1 CLIP FROM 1 DEPOSITION (RUNNING 00:03:51.568

[810] UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

Case No. C-11-01846 LHK

APPLE INC., a California Corporation,

Plaintiff,

vs.

SAMSUNG ELECTRONICS CO., LTD., a Korean business entity; SAMSUNG ELECTRONICS AMERICA, INC., a New York Corporation; SAMSUNG TELECOMMUNICATIONS AMERICA, LLC, a Delaware limited liability company,

Defendants.

San Jose, California
November 15, 2013

Transcript of Proceedings before the Honorable
LUCY H KOH United States District Judge

Volume 4
Pages 810-1064

Official court reporter: Lee-Anne Shortridge, CSR, CRR Certificate number 9595

Proceedings recorded by mechanical stenography transcript produced with computer

* * *

[Direct Examination of Philip Schiller, continued]

[822] You can consider it for the truth of the matter that's asserted in the ad.

MR. MCELHINNY: Thank you, Your Honor. So that refers to the ad that we just showed can be considered for the truth?

THE COURT: PX 127.

MR. MCELHINNY: Thank you.

Q. What was it about the product itself that, that—or was there anything about the product itself that helped you create this introduction to multitouch technology?

A. Oh, there were—there were a number of things. I think as we created the experience of the iPhone, the team had to solve a number of problems that, that were created when you get rid of keyboards and try to create new ways to maneuver around, and in inventing those things, they invented solutions to problems that made it successful.

And these are the solutions that allow you to scroll around and pinch and zoom and double tap, and all these things were done in ways that were uniquely Apple. They were ways that made it, in the end, really easy to use.

It all adds up to that. That's the thing I think we're best known for, beautiful products that are easy to use, and all of these capabilities, delivering this ability to do this stuff, was done with inventions and technologies that ultimately made it beautifully easy to use.

* * *

[842] Q. Have you created a summary of some of the information on the documents that we've just put into evidence?

A. Yes.

Q. If you would look, please, at chart PDX 10.1, PDX 10, the demonstrative. Can you explain what this summary tells us?

A. Yes. So what this shows is for one of the questions in that survey—and each of those four surveys that we've spoken about here have this same question in it—how people responded.

And the question in this case of iPhone buyers is, how important was attractive appearance and design in their decision to purchase the iPhone?

And the customer could respond with one of four things: it was very important; somewhat important; neither important or unimportant; or don't know or very unimportant or what unimportant.

And the way we look at this in marketing is simply we ask the question and we'll combine the top two, very important and somewhat important, into one number, and that's called the top two box number, and that is our method for generally was it important to them It's a good measure of that.

And so on this question of attractive appearance and design, what you see is that by the two blue boxes, the combined response by these customers was over 80 percent consistently felt that attractive appearance and design was [843] important to their purchase decision.

Q. What does attractive appearance and design, what does that encompass in these surveys?

A. Well, I believe what we're trying to get at is the customer's feelings about the physical appearance of the iPhone, as well as what the user interface looks like.

Q. Does Apple do a lot of surveying of its own?

A. A fair amount, yes.

Q. Do you purchase third party surveys?

A. We do that as well.

Q. How long, in your career, have you been working with surveys?

A. Oh, I've been working with surveys since I was in colleague and creating them. So most of my life.

Q. Is there an art to creating surveys?

A. Absolutely.

Q. And just, we don't—you could spend days, I know, but can you give us the 35 second summary, please.

A. I will try. It's a complex topic.

The first thing is to try to understand what you can ask and what—and get a reasonable result and what you can ask that won't produce a reasonable result.

And then to always, always understand the context of what you're looking at, what was asked, who you asked it of, that's the base of the respondents, and try to only read the data and [844] not read too much into it. People tend to extrapolate and read too much.

And there are so many guidelines to it, but I'll give you one example of something I always think about in the surveys.

* * *

THE WITNESS: So one of the things I tried to do, and this survey I think represents it really well, is it's reasonable to ask a customer what they think about something they just did. It's reasonable to ask them about something recent or that they're going to do soon.

I don't try to create a survey, if I can, where you actually have to put something in their head to then get it out.

In other words, I love asking questions of people of "what do you think," and then try to learn from them.

But when I say, "here's something you didn't know. Let me tell it to you. And now you tell me back what you think." Well, that's getting less reliable data.

And the more you layer on variables, the more complex it gets, I just think the less reliable the data. That's my experience of doing this.

[845] BY MR. MCELHINNY:

Q. Are there good surveys and bad surveys?

A. Always.

Q. And when you are handed a survey or you buy a survey, what do you do to determine whether or not the survey results are worth relying upon?

A. I always look at the methodology, how did they ask? What tools did they use? I look at the time frame it was done in to try to understand the context of how close it was to the actual event and activities. I try to

look at the base of the respondents to understand, is that the representative group? Do they have any bias built in or not? And I try to put myself in the place of the person being asked to understand how reasonable it is to expect them to answer the question and what can you expect the results to be.

It's—you can ask anyone anything, but at the end of the day, you have to consider all of these variables to understand the relative reliability of the results.

Q. Why would Apple buy surveys from third parties when Apple doesn't control the methodology of those surveys?

A. Oh, very simply because others will see them and we want to know what they say.

Q. If you turn to the second page of this demonstrative, PDX 10.2, this talks about ease of use.

Can you tell us what this survey results teach us about [846] ease of use?

A. So this is a very similar to the previous chart. It represents the response in our iPhone buyer's survey that we asked of customers.

The question in this was, "how important was ease of use to your decision to purchase an iPhone?"

And again, looking at the same top two box methodology, what you see is consistently well over 90 percent of the customers of the survey responded that ease of use was important to their purchasing decision.

Q. And first of all, what is ease of use?

A. Ease of use is what we consider an attribute It's how easy something is to use, and in my belief when you're talking specifically about an iPhone, you're talking about the software and the features of the

software and how they combine to make the tasks you want to do easy to do.

Q And in—based on your experience, what is it about the iPhone that makes it easy to use?

A. Well, there have been many things that we've done in the user interface with multitouch that makes it easy for the customer to do the things they want to do.

We had to make it intuitive We had to make it so that even though these are software buttons, they somehow created a sense of, of place where you intuitively understood the physics and the reality around that place, so how things moved around, [847] how they responded to your finger. How they interpreted what you were trying to do with one or two or more fingers and as you did different tasks are all things that the team worked on to try to make a very intuitive, obvious, easy to use environment.

Q. Sir, would you open your binder, please, to Exhibit 12.1.

A. Okay.

Q. What is in your binder, sir?

A. It is a cd with a video on it.

Q. Does it have the title of the video?

A. Yes. Watered down.

Q. Has Apple created advertising that directly advertises its ease of use?

A Yes

Q Is this an example of that ad?

A. It is.

* * *

[850] THE WITNESS: It was a news story that I read that had a picture and story about the Galaxy S smartphone, and I remember being quite shocked when I saw it. My first thought was, wow, they've completely copied the iPhone, and it was astonishing and shocking to me.

BY MR. MCELHINNY:

Q. Why was it shocking to you?

A. Well, we all compete and make our products and make things for customers.

But to see something that appeared to my eye to go so far to make it look exactly like an iPhone and so much so that people might confuse it from a marketing standpoint is a really, really bad thing to have to deal with and causes tremendous problems for me.

Q. Why is that kind of copying a problem for you in marketing?

A. Well, in marketing, as we've spoken about earlier, Apple's entire marketing strategy is around the product as the hero. We show the product, we show what it looks like, we show what it does and build the demand for it around how it looks and how it works, and we do that around what we believe to be unique looks, unique features that we've invented and that will drive our sales and demand for our product, as well as the association with Apple as the innovator and inventor of these [851] things.

And when someone else creates something that looks a lot like it in ways that are unique to us and creates something that works like ours does and the things that we've invented, they now make it really hard for customers to figure out whose product is

whose When you see a billboard or magazine ad, if they look the same, whose was it? You don't know.

So it dilutes the marketing I do. It weakens my ability to create demand for customers.

And in the end, it also weakens the view the world has of Apple as this great designer and great innovator if people first saw an ad of a Samsung product that copied something from Apple and then they thought they did it and they see Apple later, they don't associate us as the innovator and creator and designer of those things and it makes us seem much less of a company, much less of a product in customers' minds. I think it undermines our entire marketing effort.

Q Based on your actual experience, has the patent infringement that Samsung has been found liable for, has that actually affected your ability to market Apple products?

A. Yes, I believe so.

Q. And—

MR. PRICE. Objection, vague. Vague as to market versus sales.

MR. MCELHINNY Well, I defined marketing at the very [852] beginning of the—

THE COURT: Overruled.

Go ahead, please. You may answer.

BY MR. MCELHINNY:

Q. And what are the effects that you have observed, sir?

A. I seen that since this has begun, it has been much harder for us to market our products and gain

an understanding with customers that these products are unique and special and created by Apple.

I found it much harder to create demand and people question our innovation and design skills in ways that they never used to after this all began.

Q. Sir, if we focus specifically on 2010 and 2011, if the infringing products in this case had not been on the market, do you view—do you believe that your marketing of Apple products would have been even more successful?

* * *

Go ahead, please.

THE WITNESS: Yes. This is an incredibly important time. We spoke earlier about how the market changed after the iPhone into the previous feature phone market and the new smartphone market, and we all were trying to get customers into smartphones, and then we know that they like to stay with those [853] ecosystems and influence their family and friends as well.

And during this time, I believe that as this has been occurring that it's been harder for us to get new customers and bring them into our ecosystem and to experience the first Apple product than had this not occurred.

Q. Have there been times when Apple was not available on particular carriers?

A. Yes, of course.

Q. Have you been able successfully to market Apple products to people who were not on one of the Apple carriers and to encourage them to switch carriers?

A. We have.

Q. And how did you do that?

A. We tried to create a unique product that someone else doesn't have, so one reason to buy a product is to—is certainly because you want to stay on your carrier, but if your carrier doesn't have a product and that product has features and capabilities or designs that you really want, then you're more willing to consider switching and going to another carrier.

So that uniqueness helps actually when you're in a situation where you're not on every carrier.

* * *

[Cross Examination of Philip Schiller]

[857] Q Let me ask you, though, at the time of Apple's—let me rephrase it this way. There came a time when the marketing arm of Apple wanted to start doing some advertising or marketing about how Apple was the first at certain things. Do you recall that?

A. No, I don't recall that.

Q. Okay. Let me show you Exhibit 578. And do you recognize this, sir—

[858] MR MCELHINNY: Your Honor, I don't think this has been admitted.

MR. PRICE: Yeah, don't show it. Don't put it up until I tell you to, Ryan. Thank you.

Q. And you recognize it at the top, you see these are the e-mail exchanges that includes Mr. Sinclair, Kelley Altick and Eric Jue; correct?

A. Yes.

Q. And could you tell us who Mr Sinclair is?

A. He was a product manager on my product marketing team.

Q. And Eric Jue, who is that?

A. Also a product manager on my managing team.

Q. And Kelley Altick?

A. I do not know Kelley Altick.

Q. And if you look at this, this appears to be an e-mail that

Was sent within Apple?

A. It's a few e-mails inside Apple, yes.

MR. PRICE: Okay. Your honor, move Exhibit 578 into evidence.

THE COURT: Any objection?

MR. MCELHINNY: No objection, your Honor.

THE COURT· It's admitted.

(Defendant's Exhibit 578 was admitted in evidence.)

BY MR. PRICE:

Q. And if we can turn to—you know e-mails have strings, [859] so at the bottom is really the first e-mail; right?

A. Yes.

Q. And if we turn to look at the first e-mail, we have to actually go to the third page where it starts, 578.003.

And at the bottom here, you see there's an e-mail that starts—I'll start at the from Rebecca Van Dyck, and the e-mail here says, "as we're starting to think about the next round of work on iPhone, we're trying to get smart of some of iPhone's historical milestones.

So starting with the very first iPhone, we're looking for a list of innovations and technologies," next page, "that iPhone was the first to incorporate. Some examples: the first phone to incorporate a full touchscreen face. The first phone to have multitouch interface gestures. The first phone to have robust apps and app store The first phone to incorporate a proximity sensor "

So were you aware of this search to try to find firsts?

A. No.

Q. Does Mr. Sinclair report directly to you?

A. No.

Q. How many levels down is he?

A. Two levels, I believe.

Q. Okay. So this effort didn't actually make its way to you?

A. Correct.

Q. If we look at page 578.002, and let's look at this "hey Michael" from Steven Sinclair on April 6th, 2010.

[860] If you would get the date in there, too, that would be great

You see where Mr. Sinclair wrote, "it's tough to approach this with the criteria being 'first.' I don't know how many things we can come up with that you could legitimately claim we did first. Certainly we have the first commercially successful versions of many features, but that's different than launching something to market first. Can we nuance this so it isn't about shipping a feature first."

And an example, "the first phone to incorporate a full touch screen face," and "not true" and you'll see

where it says Wikipedia and an LG Prada, and then it goes on to talk about apps.

So I take it that if the people two levels under you concluded something wasn't worth pursuing, it wouldn't reach you?

A. That might be the case.

Q. And this refers to the LG Prada. I'm going to show you what's a joint Exhibit, 1093.

And your Honor, may I approach the witness to show him this?

THE COURT: Yes. Has that previously been admitted in this case?

MR. PRICE: I don't think so.

MR. MCELHINNY: We move its admission, your Honor.

[861] THE COURT: All right. Go ahead, please.

MR. PRICE: Then it's a joint request.

(Joint Exhibit 1092 was admitted in evidence.)

BY MR. PRICE:

Q. I'll show you 1093, which is now admitted (handing). And let me ask you, do you know whether that's the phone that was being referred to as a phone with a touchscreen face, the LG Prada?

A. I do not know for certain.

Q. Well, in your testimony on direct, you were talking about phones—can we switch this to the elmo—you were talking about comparing the iPhone to phones before the iPhone.

Do you recall that?

A. Yes.

Q. And when you were making that comparison about, you know, how the iPhone was new in many ways, were—did you have in mind, then—no signal.

Ah. Did you have in mind the LG Prada, which is Exhibit 1093?

A. Of course not, no.

Q. You also talked in your direct about the iPhone being beautiful.

A. Yes.

Q. And it's a nice looking product; right?

A. I believe so.

[862] Q. Apple doesn't own or have a patent on a product being beautiful or sexy; correct?

A. Correct.

Q. And Apple doesn't own a patent on there being a touchscreen; right?

A. I don't believe so.

* * *

[886] Q. So let me ask you then about your experience and Apple's experience concerning decision factors, that is, why customers buy things.

You'll agree that your iPhone has hundreds and hundreds of features?

A Yes.

Q And every feature you put on the iPhone you put in thinking it's going to make the iPhone better; correct?

A. We hope so, yes.

Q. Your view, though, is that customers don't think of only individual features when they're buying a phone, they think of it all together; correct?

A. I think they think both, that they do think about the entire experience, and they think about some features, yes.

Q. Well, no. Haven't you testified that you don't think they think of only individual feature, they think about the whole, I don't want to say gestalt, but the experience of putting all those features together?

A. Yes, they do think about that.

Q. And, in fact, you talked about ease of use. You talked about, you know, you're trying to give the consumer an overall experience that something, for example, is easy to use; correct?

A. At one level. This is a very complex topic, but, yes, at one level.

[887] Q. And again, you understand that Apple doesn't own the exclusive right to an overall concept of ease of use; that is, competitors are allowed to try to make their products easier to use if they don't infringe Apple's patents? You understand that?

A. Yes.

Q. And in connection with the, the ease of use, the overall ease of use I mean, it's your view that the iPhone, overall, is easier to use than any of its competitors?

A. I hope so, yes.

Q. And you thought that throughout the years?

A. Yes.

Q. So if someone was really—your belief is if someone was focussed on ease of use as driving them to purchase something, then if they're, if they're smart, they're going to buy an iPhone because, overall, it is easier to use?

A. That's not all they think. I think everybody cares about ease of use to some degree, and it varies by the individual, but to a degree, and most everybody cares about that. It's not all they care about, though.

Q. If it's something that somebody cares about a lot, if it's like a number 1 consideration, your belief is they would buy an Apple if that was really what drove the sale?

A. I'd like them to, yes.

Q. Pardon?

[888] A. I'd like them to, yes.

Q. I'm sure you'd love them to.

But my question is, if it's something that's really driving them to buy something, if they're saying I want something that's easiest to use, you think they would buy an Apple if that's their primary criteria?

A. I can't say without knowing the individuals and their issues and what they want. I think that's too abstract.

I think people should care about ease of use. Most everyone does. But it's not the only purchase decision.

Q. Okay. Some purchasers might focus on some other aspect of a phone that matters to them.

A. I think we all consider multiple aspects when we purchase a device.

Q. Okay. Apple has a lot of experience in these surveys; right?

A. Yes.

Q. And it asked about ease of use in the surveys; correct?

A. Sometimes, yes.

Q. And that's a broad term. You said it covers hundreds of features; correct?

A. Yes.

Q. And some of the features that it covers are, for example, the set up right out of the box; correct?

A. Yes, that contributes to ease of use.

[889] Q. In fact, you said that's one of the things about ease of use that you're most proud of with respect to the iPhone?

A. Perhaps I did. I am proud of that, yes.

Q. And I think you were saying that iPhone doesn't come with instructions because it's so easy to use; correct?

A. Correct. There's no need.

* * *

[904] Q. So when we look at your experience as a marketing, someone in marketing, you've told us that there are hundreds of factors that may go into why someone might buy an iPhone; correct?

A. Yes.

Q. Hundreds of factors as to why someone might buy a Samsung; correct?

A. Yes.

Q. And those factors might not be the same? That is, some people may prefer things which only Samsung offers, such as the commodity you referred to as the big screen?

A. There may be some items not the same on both lists, correct

Q. Some items such as a removable battery, correct?

A. Yes.

Q. That is, Samsung, we can remove the battery, and Apple you cannot; correct?

A. I don't know. I don't look at what Samsung batteries do.

Q. Okay. Well, isn't—actually, haven't you done surveys and reports on battery capability? That is, you know, which phones are better in battery, which are better in screen size between you and Samsung?

A. I don't recall. Perhaps. I don't remember one.

* * *

[908] The question is this: does Apple intend to allow Samsung to sell infringing products in the United States?

A. Absolutely not.

Q. Does it matter whether it infringes one patent or five patents or fifty patents?

A. No to me it doesn't.

Q. Why aren't you just letting Samsung infringe your patents?

A Because ultimately what's been done here is to copy many attributes of Apple's products and to copy both designs and features, and these are things that

are the very essence of what Apple is about, how we create what we hope customers love, how we've built our business and what differentiates us. [909] That's what our business is about. Other companies have other business models. That's Apple's, and if we don't have that, we don't have Apple's entire business.

And you can pick apart one feature or one product, but at the end of the day, there is a cumulative effect of doing all this that is incredibly damaging and, and at some point it has to stop and you say no to any of these products that do that

* * *

[Samsung Oral Rule 50(a) Motion]

[922] In prior motions, in the pretrial motions, we've already explained Samsung's concerns about the cost and income approaches that Ms. Davis presented and how these approaches are contrary to the evidence.

Specifically with respect to the income approach, Ms. Davis included the brand value calculations where she attributed a lot more value to the patent at issue and did not separate that from other patents that Apple has, and overall brand value as well.

Specifically, her calculations include all patents other than just the two design patents at issue, the '677 and '305 patents.

And finally, Apple did not introduce probative evidence of comparable licenses as required by the Georgia Pacific factors.

With respect to the final theory, the establishment of Samsung's profits, again, we've argued this in prior pleadings and prior trial, but Apple presents no evidence of apportionment

Samsung previously cited a number of cases, including the Piano cases, Bush & Lane Piano versus Becker Brothers and Untemeyer versus Freund, all of those cases stand for the proposition that you cannot get infringer's profits on the entire device and you can only do it for the actually infringing feature.

Apple further did not present any evidence of causation, [923] that these particular accused features of the design patents or the patented designs drive the sales and did not include that in their calculation analysis.

As with the lost profits calculations, Apple only presented worldwide profits, not U.S profit figures, and that was improper in terms of calculating the infringer's profits.

Finally, with respect to the profits, Apple's expert did not reasonably account for Samsung's direct and indirect costs and did not consider some of the costs, and Apple's expert improperly applied SEC gross profit percentages to STA and SEA without the basis

We also would like to seek several rulings regarding the damages case as a whole. First of all, Apple has presented no evidence to support an award of damages greater than 379 million and judgment as a matter of law should be entered on that basis

Apple failed to introduce any evidence where Samsung was on notice as to the specific products at issue. We briefed that before in this case, and judgment as a matter of law that Apple is not entitled to any damages before the notice date or any damages in this case after June 30, 2012.

And, Your Honor, I'm sorry. When I was talking about the infringer's profits, I neglected to mention

that also the infringer's profits are only available where the designs are applied to articles, and there was no discussion and no [924] evidence introduced on whether the three, the designs in the '305 and '677 patents were actually applied to the articles required by Section 289.

* * *

[Direct Examination of Michael Wagner]

[996] introduced this product and then, after the proper time of design around, they could have introduced the software feature in their phone that had hundreds of features when they introduced it.

Q. Now, when you say a software change, you'd have to take the phone and take it apart and look at the innards, do anything like that?

A. No. It's like my phone. Every month or so I get a software update automatically from my provider. I don't have to do anything except for accept the time that it will be updated, my phone will be updated.

Q. Okay. So we'll get into a little bit later about this part of the but for world.

I'd like you to focus now on the bullet that Apple would not have made additional sales, and you say there's no evidence that any Samsung customer purchased the accused phones because of this '915 feature.

Could you tell us what's the basis of that?

A. Well, the basis is principally I looked at the actual customer surveys that were done by both Apple and Samsung in this case, not for purposes of this litigation, but to run their businesses during this relevant time period, and in none of these surveys did

I find any indication by either of these companies that the limited functionality of the '915 patent is what drove anyone in their purchase decision.

[997] I've not seen one piece of evidence that Samsung ever marketed that feature, the '915 feature to any of their customers, so how could their customers even have known that that feature existed when they made their purchase decision?

I believe the customers bought these phones for other features, the ones that were making Samsung the leader in certain functionality of the smartphone market, things like large L.E.D. Screens, the largest screen size in the industry, the fastest processor, the first company to put 4G technology in a phone so that your data would transfer faster, the first company to have turn by turn navigation in their GPS system.

These are the reasons people bought the phones. It was the driving demand for the Samsung products, not the one feature of the '915 patent.

Q. Now, focussing on the surveys that Apple did, or that Apple commissioned, do these surveys reveal factors that purchasers cared about?

A. They did. They looked at what is driving demand for phones, and none of these surveys indicated that the unique feature of the '915 is what anyone cared about when they actually made a purchase decision.

Q. Now, do you—have you prepared—you looked at several studies; correct?

A. I did.

Q. Did you prepare a summary of the Apple studies that you [998] looked at?

A. I prepared a number of summaries, and yes, I did have one that did that as well.

Q. If we could look at, I think 701.005. Apparently—I'm sorry, 701.006. DX 701.006. 006 would be great, Ryan.

Here we go. Is this one of the summaries you prepared?

A. It is.

Q. If you look at the bottom, it says "sources."

Now, what—one, two, three, four, five, six, what are those sources?

A. These are surveys done by a company called Com-Tech who was providing surveys to Apple. These came out of Apple's records, so these are studies that Apple had to study the market.

Q. And what are the numbers that we have here at the top? What do those relate to?

A. That relates to different period of times, usually quarterly. The first one actually is for a three quarter period.

Q. What do the numbers reflect here? Do you see under, for example, multimedia functions, you have 31 percent, second quarter and fourth quarter. What does that refer to?

A. That says that 31 percent of the purchase in that quarter—

* * *

[1000] MR. PRICE: Actually, I would move in the entire summary of surveys, exhibit 701, all sealed.

THE COURT: All right. Any objection to that?

MR. LEE: None except that it should be sealed.

THE COURT: I'm sorry. The whole thing should be sealed?

MR. LEE: Yeah. It's a summary of—every page is a summary of survey information like you have here. It's only nine pages in total.

MR. PRICE: Yeah.

THE COURT: Okay. So you're asking for it all to be sealed or not?

MR. LEE: Yes, all nine pages.

THE COURT: All right. It's admitted subject to sealing. Go ahead, please.

(Defendant's exhibit 701 was admitted in evidence.)

BY MR. PRICE:

Q. Mr. Wagner, we're sealing these because this is Apple's confidential information.

These are the Com-Tech studies you looked at?

A. They are.

Q. If you look at 701.005, could you tell us what that reflects?

A. Well, this is 006.

Q. I'm know. I'm going to switch to 005 now?

[1001] A. Oh, 005, this is a study of what were the reasons people purchased Android phones during these quarters

Q. So Mr. Wagner, in looking at these studies, were there factors that are revealed in these studies that consumers care about in buying, for example, Android phones?

A. Yes. Each one of those—the lines on this survey are the principle reasons why someone bought a phone, and an example, looking at that first period, the most important reason was multimedia functions

That's why people buy smartphones. They want to be able to surf the internet, to read their e-mail, to send e-mails, to do text messages, listen to their music, play games. That's why people buy a smartphone

The second most important reason in that period was the brand model, which is 25 percent.

Again, Apple's got a great brand. Samsung has a great brand. All the major companies in this space have good brands.

But that's a distinguishing feature that people pay for and make their decision on.

Q. And these are studies that go to why someone made an Android purchase; correct?

A. Correct.

* * *

[1017] Q. Now, if you take into account these costs, have you done a calculation as to what the—what Samsung's profits were on these seven products?

A. Yes. For the Infuse 4G from April 15th, 2011, through June 30th, 2012, and for the other six products from June 16th, 2011, through June 30th, 2012.

Q. Okay. If we could look at exhibit 952, if you could look at it, sir, could you tell us what that is?

A. 952?

Q. 952.

I'm sorry. 781. It's always good to have somebody helping you. I'll trust you.

781.002.

MR. LEE: I'm sorry.

THE WITNESS: Yes. This is my calculation of what I believe the operating profit, the total profit of Samsung is during this period of time for the seven products that have [1018] been found to infringe the design patents.

MR. PRICE: If we could show that 781.002 and move it into evidence, your Honor?

THE COURT: Any objection?

MR. LEE: No objection, your Honor.

THE COURT: It's admitted.

(Defendant's Exhibit 781.002 was admitted in evidence.)

THE COURT: Go ahead, please.

BY MR. PRICE:

Q. Could you explain—we can show it. The jury sees it right now.

So if you could explain, we've got the phones listed. You've got a total of 9,590,000 and then a total, excluding losses, of 52,734,959. Can you tell us what you mean by that?

A Well, you can see that during this period, which is end of life for some of these products, and some of these products actually weren't all that successful, that they actually show losses during the relevant period of time that damages can be claimed.

So four of the seven products actually lose money If you subtract those losses from the profits, the profit products, you get the $9.6 million.

But if you do not subtract the losses and only count the operating profit for the successful products, the number is 52.7 million.

* * *

[Cross Examination of Michael Wagner]

[1032] Q. Right. Because the patents have been found valid and infringed; Correct?

A. Correct.

Q. So what you and I are going to talk about is how much compensation should be paid for Samsung's infringement; Correct?

A. Correct.

Q. So let's talk about and help the jury with the number of acts of infringement that were found by the prior jury. Of the Samsung products found to infringe, 12 are smartphones; correct?

A. Correct.

Q. One is a laptop, a tablet computer; Correct?

A. Yes.

Q. So let's focus on the smartphones first; Correct?

There are 10.7 million infringing phones that were sold by Samsung; Correct?

A. That's my calculation.

Q. And it's also Ms. Davis's calculation; correct?

A. It is.

Q. There's no disagreement between you, 10.7 million acts of infringement by smartphones; Correct?

A. If you consider each sale an act of infringement, you are correct.

Q. And you and Ms. Davis agree upon that?

[1033]

A. We do.

Q. Now, for that 10.7 million acts of infringement, Samsung collected $3.4 billion in revenue; Correct?

A. Based on my calculation, I agree with you.

Q. Yeah. And you heard Mr. McElhinny talk about those figures in his opening; correct?

A. He did.

Q. And Mr. Price suggested in his opening that there was some disagreement. Do you remember that?

A. Yeah. I think the disagreement is that there's also really how many of these were sold were revenues for the ones that are the subject of the design patent.

Q. But if we're talking about all of the acts of infringement, 10.7 million, $3.4 billion, or so, is the right number; Correct?

A. Yes.

Q. And for the tablet computers, 725,000 tablets were sold; Correct?

A. I believe that's correct.

Q. You and Ms. Davis agree; Correct?

A. We do.

Q. Each an act of infringement; Correct?

A. Yes.

Q. And Samsung collected $325 million in revenue; correct?

A. That is correct.

* * *

[1] UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

[Filed 11/21/13]

Case No. 11-CV-01846 LHK

APPLE INC., a California Corporation,

Plaintiff,

v

SAMSUNG ELECTRONICS CO , LTD , a Korean business entity; SAMSUNG ELECTRONICS AMERICA, INC., a New York Corporation, SAMSUNG TELECOMMUNICATIONS AMERICA, LLC, a Delaware limited liability company,

Defendants.

Verdict Form

We, the jury, unanimously agree to the answers to the following questions and return them under the instructions of this Court as our verdict in this case.

FINDINGS ON APPLE'S DAMAGES CLAIMS

1. What is the total dollar amount that Apple is entitled to receive in damages from Samsung?

   $290,456,793.00

2. For the total dollar amount in your answer to Question 1, please provide the dollar breakdown by product.

Samsung Product	Amount
Captivate (JX 1011)	21,121,812
Continuum (JX 1016)	6,478,873
Droid Charge (JX 1025)	60,706,020
Epic 4G (JX 1012)	37,928,694
Exhibit 4G (JX 1028)	2,044,683
Galaxy Prevail (JX 1022)	22,143,335
Galaxy Tab (JX 1036)	9,544,026
Gem (JX 1020)	4,831,453
Indulge (JX 1026)	9,917,840
Infuse 4G (JX 1027)	99,943,987
Nexus S 4G (JX 1023)	10,559,907
Replenish (JX 1024)	3,046,062
Transform (JX 1014)	2,190,099

Have the presiding juror sign and date this form.

/s/ Lee R Allen

Presiding Juror

Date: 11/21/2013

[1] UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

[Filed 02/07/14]

Case No. 11-CV-11-01846 LHK

APPLE INC., a California Corporation,

Plaintiff,

v.

SAMSUNG ELECTRONICS CO., LTD., a Korean business entity; SAMSUNG ELECTRONICS AMERICA, INC., a New York Corporation; SAMSUNG TELECOMMUNICATIONS AMERICA, LLC, a Delaware limited liability company,

Defendants.

Order Denying Samsung's Motion for Judgment as a Matter of Law, Remittur, or a New Trial; Denying Apple's Motion for Judgment as a Matter of Law and Other Post Trial Relief

---

On November 21, 2013, after six days of trial and two days of deliberation, a jury awarded Apple roughly $290 million in damages for Samsung's infringement of three U.S. utility patents and two U.S. design patents. *See* Dkt. 2822 ("November 2013 Jury Verdict").

* * *

[12]

C. The Jury's Award of Infringer's Profits

The remainder of the jury award ($142,054,256)—the portion not attributable to lost profits or reasonable royalties—is based on Samsung's profits for its infringement of the D'305 and D'677 Patents. Section 289 of Title 35 authorizes damages for design patent infringement of the amount of the infringer's "total profit" for each infringing sale. At trial, the parties agreed on Samsung's gross revenues from infringing sales ($854 million) and essentially agreed on the deductible costs of goods related to those sales ($623 million). *See* 2013 Trial Tr. 692:1-11; 692:25-693:8; 1014:21 1015:4; PDX100.17. The parties centrally disputed the amount of operating expenses to be deducted from Samsung's gross revenues. Davis testified that none of Samsung's claimed operating expenses was directly attributable to the infringing products and therefore Apple's infringer's profits award should be Samsung's gross revenues less its costs of goods, or approximately $231 million. *See* 2013 Trial Tr. 702:24-703:3. Samsung's damages expert, Michael Wagner, testified that all Samsung's operating expenses—including Samsung's overall logistical, advertising, temporary staffing, insurance, depreciation, travel, research and development, and general and administrative expenses, *see* 2013 Trial Tr. 961:4-964:10; SDX3960.002, SDX7001.005—should be allocated to each infringing phone and also deducted from Samsung's gross revenues, *see id* 1015:5-16; DX676. After deducting operating expenses, Mr. Wagner proposed a total infringer's profits award of approximately $53 million. *See* DX781.002.

The jury's award of infringer's profits falls exactly halfway between each side's proposed award. Samsung notes that this award of infringer's profits can also be viewed as 61.3960645% of Davis's proposed infringer's profits award. Samsung JMOL at 3.

1. Samsung's Motion for Judgment as a Matter of Law

Samsung's motion for judgment as a matter of law as to the jury's infringer's profits award is based on two distinct challenges: (a) the jury entered an improper compromise verdict, and (b) the jury improperly double counted infringing sales by awarding two types of damages for certain infringing sales. The Court addresses both challenges in turn.

a. Compromise Verdict

Samsung first contends that the jury's infringer's profit award is an improper compromise verdict. *See* Samsung JMOL at 28-29. This challenge is easily dismissed. A compromise verdict "'is one reached when the jury, *unable to agree on liability*, compromises that disagreement and enters a low award of damages.'" *Romberg v. Nichols*, 970 F.2d 512, 521 (9th Cir. 1992) (quoting *Nat'l R.R. Passenger Corp. v. Koch Indus.*, 701 F.2d 108, 110 (10th Cir. 1983)) (emphasis added), *vacated on other grounds*, *Nichols v. Romberg*, 506 U.S. 1075 (1993). Here, liability was not at issue because the first jury had already found that Samsung infringed Apple's valid patents. "Proof of damages is governed by a less strict standard than proof of liability." *Landes Const. Co., Inc. v. Royal Bank of Canada*, 833 F.2d 1365, 1373 (9th Cir. 1987). The Court agrees with Apple that the jury in the damages retrial "was entitled to choose a damages award within the amounts advocated by the opposing parties." *Spectralytics, Inc. v. Cordis Corp.*, 649 F.3d 1336, 1347 (Fed. Cir. 2011).

b. Double Counting

Samsung's second challenge warrants a more extensive analysis. Samsung attacks the jury's infringer's profits award on the ground that the verdict is the result of improper double counting More specifically, Samsung contends that the jury improperly awarded both lost profits and infringer's profits for the same infringing sales The jury was instructed that it could not award lost profits or reasonable royalties on any sales for which it also awarded infringer's profits. *See* Dkt. 2784 at 42 (Final Jury Instruction No. 34). Samsung contends that the jury disobeyed this instruction by averaging the parties' overall proposed infringer's profits awards even though Davis and Wagner disagreed as to the number of infringing sales to be used to calculate the infringer's profit award. Samsung JMOL at 30 Because Wagner's infringer's profits calculation captured some phones that Davis included in her lost profits calculation, Samsung contends the jury's averaging of the two proposals impermissibly awarded two forms of damages for the same infringing sale.

An example will help clarify the purported problem. The controversy here stems from the jury's damages award for the Infuse 4G ($99,943,987), which infringes both the '915 Patent and the D'677 Patent. Davis used a two-step process to calculate damages for the Infuse 4G. First, Davis opined, and the jury indisputably accepted, that Apple was entitled to $43,968,916 in lost profits for Infuse 4G sales that would have gone to Apple but for the infringement. *See* PX25G1.2 Second, with respect to all other sales of the Infuse 4G—i.e., sales that Samsung would have kept (for example because of a customer's loyalty to Samsung), sales that would have gone to a third-party, or sales that occurred after the design-around period—Davis opined that Apple was entitled to $91,165,035 in

infringer's profits. *See* PX25G1.4. In contrast, Wagner did not believe Apple was entitled to any lost profits, and therefore he attributed all the Infuse 4G sales to his proposed infringer's profits award of $42,942,776. *See, e.g.*, 2013 Trial Tr 994:20-995:1; DX781.002. Samsung contends that the jury necessarily and improperly awarded Apple lost profits and infringer's profits damages on some of the same Infuse 4G sales by adopting Davis's lost profits number, which captures some of the infringing Infuse 4G sales, and by also relying on Wagner's infringer's profits award, which captures all the infringing Infuse 4G sales including those that were part of Davis's lost profits calculation.

The Court finds that if Samsung is correct that the jury averaged both sides' proposed infringer's profits award, then Samsung is also correct that the jury improperly double counted. For the following reasons, however, Samsung's attempt to deconstruct the jury's infringer's profits award goes too far.

As an initial matter, the standard for evaluating a jury's damages verdict is generally lenient. The Court "must uphold the jury's finding of the amount of damages unless the amount is grossly excessive or monstrous, clearly not supported by the evidence, or based only on speculation or guesswork." *Yeti by Molly, Ltd. v. Deckers Outdoor Corp* , 259 F.3d 1101, 1107 (9th Cir. 2001). It will be a "rare case in which it is sufficiently certain that the jury['s damages] award was not based on proper consideration of the evidence" and therefore cannot stand. *In re First Alliance Mortg. Co.*, 471 F.3d 977, 1001 (9th Cir. 2006).

The proceedings here do not suggest that this is such a case. In the two cases on which Samsung relies to contend that the Court should reverse engineer the

jury's infringer's profits award, the Court of Appeals was concerned with whether the jury had relied on an *expert's* "incorrect damages calculation." *Id.* at 1002; *see Lucent Techs., Inc. v Gateway, Inc.*, 580 F.3d 1301, 1338 (Fed. Cir. 2009) ("What *Lucent's licensing expert proposed* here does not comport with the purpose of damages law or the entire market value rule.") (Emphasis added) Similarly, when this Court closely examined the jury verdict from the first trial, the Court did so out of concern that "the jury's awards for patent infringement . . . [were] based on *Mr. Musika's numbers*," which used "[erroneous] early notice dates." Retrial Order at 18 (emphasis added). Here, in contrast, Samsung maintains that its expert's damages analysis was proper, but that the jury nonetheless acted improperly because it relied on only part of his conclusions. In other words, Samsung asks the Court to conclude that the jury ignored the Court's instructions and reached an improper damages verdict all on its own, even though the Court has no reason to believe the jury was led even partially astray by improper expert testimony. In these circumstances, precedent does not require the Court to deconstruct the jury's award in search of error.

In any event, the Court does not agree with Samsung that the jury's error here is a "mathematical certainty." Samsung Reply at 2 n.1. Unlike the breakdown of the overall award between lost profits, reasonable royalties, and infringer's profit, Samsung fails to justify its contention that the jury *must have* settled on an infringer's profits amount by averaging the two experts' overall infringer's profits proposals. Even Wagner's declaration in support of Samsung's motion for judgment as a matter of law does not say the jury necessarily reached its conclusion in the way Samsung suggests, instead, Wagner merely concludes that

"[t]he percentage applied by the jury [to each product that infringed a design patent], 61.3980645%, *can be calculated* by averaging the Samsung profits numbers presented by Ms. Davis . . . and myself." Dkt. 2979 ¶ 14 (emphasis added).

Just as likely, the jury could have halved the overall operating expenses deducted by Wagner ($178,638,595) and deducted that halved amount ($89,319,298) from Davis's proposed infringer's profit award ($231,373,554). Following that logic, the jury would have arrived at the same number for an overall infringer's profits award ($142,054,256) and the same percentage reduction of Davis's proposed infringer's profit award (61.3980645%). Under this scenario, however, the jury would have relied solely on Davis's proposed infringer's profit award as a starting point—which indisputably did not include the lost profits units—and used only Wagner's overall operating expenses figure to reduce that amount. Thus, the jury would not have used Wagner's ultimate infringer's profit figure. In this way, the jury's award could still be a permissible choice "within the amounts advocated by the opposing parties," *Spectralytics*, 649 F.3d at 1347, without double counting any lost profits sales. Samsung does not explore, much less rebut, this or any other possible explanation for the jury's award. Because "juries are presumed to follow their instructions," *Richardson v. Marsh*, 481 U.S. 200, 211 (1987), and because the Court is able to construe the evidence here in a way that is consistent with the jury's verdict, *see Air-Sea Forwarders, Inc. v. Air Asia Co., Ltd.*, 880 F.2d 176, 189 (9th Cir. 1989), the Court concludes the jury reached its verdict without double counting.

Accordingly, Samsung's motion for judgment as a matter of law as to the jury's infringer's profits award is therefore DENIED.[8]

[8] Samsung also challenges the jury's infringer's profits award on the ground that Samsung's profit was not attributable to its infringement of Apple's design patents. Samsung JMOL at 30 Samsung acknowledges, however, that the Court has already rejected this argument as "clearly foreclosed by Federal Circuit precedent" Retrial Order at 12 (citing *Nike Inc. v Wal-Mart Stores, Inc*, 138 F.3d 1437, 1442-43 (Fed. Cir 1998)), *see Nike Inc.*, 138 F.3d at 1441 ("'It is expedient that the infringer's entire profit on the article should be recoverable,' for 'it is not apportionable' . . ") (quoting H.R. Rep. No. 1966 at 1 (1886), *reprinted in* 18 Cong Rec. 834 (1887)) Samsung provides no basis for the Court to reconsider that conclusion now, and the Court declines to do so.

August 25, 2015

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The Honorable Lucy H. Koh
United States District Court,
Northern District of California
280 South 1st Street, Courtroom 8, 4th Floor
San Jose, California 95113

Re: *Apple Inc. v. Samsung Electronics Co., Ltd. et al.*
No. 5:11-cv-01846-LHK

Dear Judge Koh:

On May 18, 2015, the Federal Circuit affirmed the validity and infringement judgments in this case with respect to Apple's design patents and utility patents, as well as "the damages awarded for the design and utility patent infringements appealed by Samsung." *Apple Inc. v. Samsung Elecs. Co.*, 786 F.3d 983, 989 (Fed. Cir. 2015). The Federal Circuit "remand[ed] for *immediate entry of final judgment* on all damages awards not predicated on Apple's trade dress claims." Id. at 1005 (emphasis added). On August 13, 2015, the Federal Circuit denied Samsung's petition for rehearing en banc. Samsung moved to stay issuance of the mandate on August 19, 2015. Today, on August 25, 2015, the Federal Circuit denied the motion to stay and issued the mandate. To assist the Court in carrying out the above portion of the mandate, Apple hereby submits a proposed final judgment, attached as Attachment A. As explained below, the amount of damages covered by the Court's mandate comes directly from the Federal Circuit decision and representations by Samsung to the Federal Circuit.

As Samsung acknowledged in its petition for rehearing en banc, the portion of the damages award affirmed by the Federal Circuit totals $548 million (*See* Attachment B (Samsung Fed. Cir. Petition For Rehearing En Banc) at 2 ("The panel reversed the award of $382 million in trade-dress dilution damages but affirmed the remaining $548 million in damages.").) More precisely, the amount is $548,176,477, which includes $398,940,864 for design patent infringement and $149,235,613 for utility patent infringement (*See* Attachment C (Samsung Opening Fed Cir. Br.) at 12, Attachment D (Apple Fed. Cir. Br.) at 21 n 1, 45, 67, 80, 86.) The parties further acknowledged that the damages award could be further broken down on a product-by-product basis as outlined in the attached proposed judgment. (*See* Attachment C at 9-14; Attachment D at 22.)

Accordingly, Apple respectfully requests that the Court enter partial final judgement for Apple in the amount of $548,176,477 pursuant to the Federal Circuit's mandate. A proposed form of judgement is attached.

Pursuant to the Federal Circuit's opinion of this Court, we anticipate further action concerning supplemental damages and the issues remanded for rehearing.

Respectfully submitted,

/s/ Harold J. McElhinny

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

Case No. 11-CV-01846-LHK

APPLE INC.,

Plaintiff,

v.

SAMSUNG ELECTRONICS CO. LTD., et al.,

Defendants.

PARTIAL FINAL JUDGMENT

Pursuant to the Federal Circuit's May 18, 2015 Order, judgment is entered against Samsung and in favor of Apple in the amount of $548,176,477 according to the affirmed damages awards for the following 18 products: the Captivate, the Continuum, the Droid Charge, the Epic 4G, the Exhibit 4G, the Galaxy Prevail, the Galaxy S II (AT&T), the Galaxy S II (Epic 4G), the Galaxy S II (Skyrocket), the Galaxy S II (T-Mobile), the Galaxy Tab, the Galaxy Tab 10.1 (WiFi), the Gem, the Indulge, the Infuse 4G, the Nexus S 4G, the Replenish, and the Transform.

IT IS SO ORDERED.

Dated: September 18, 2015

/s/ Lucy H. Koh

LUCY H. KOH
United States District Judge

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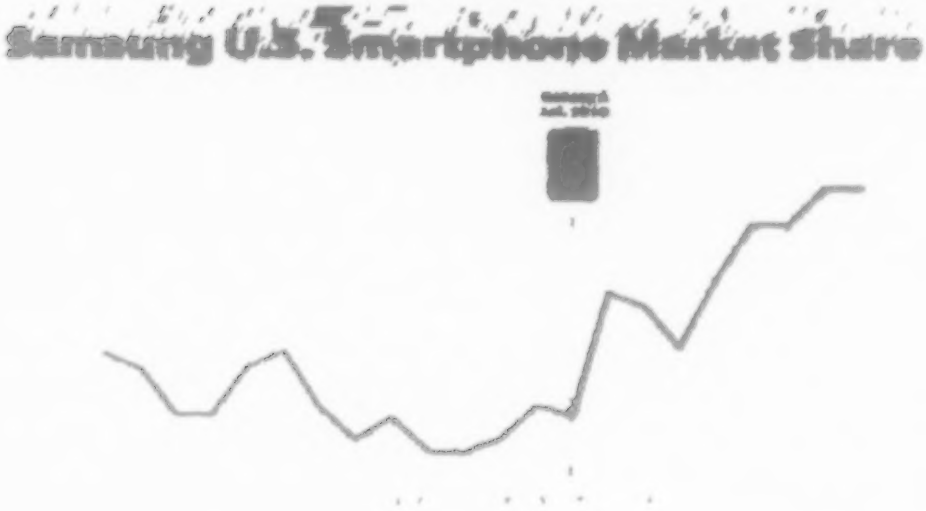

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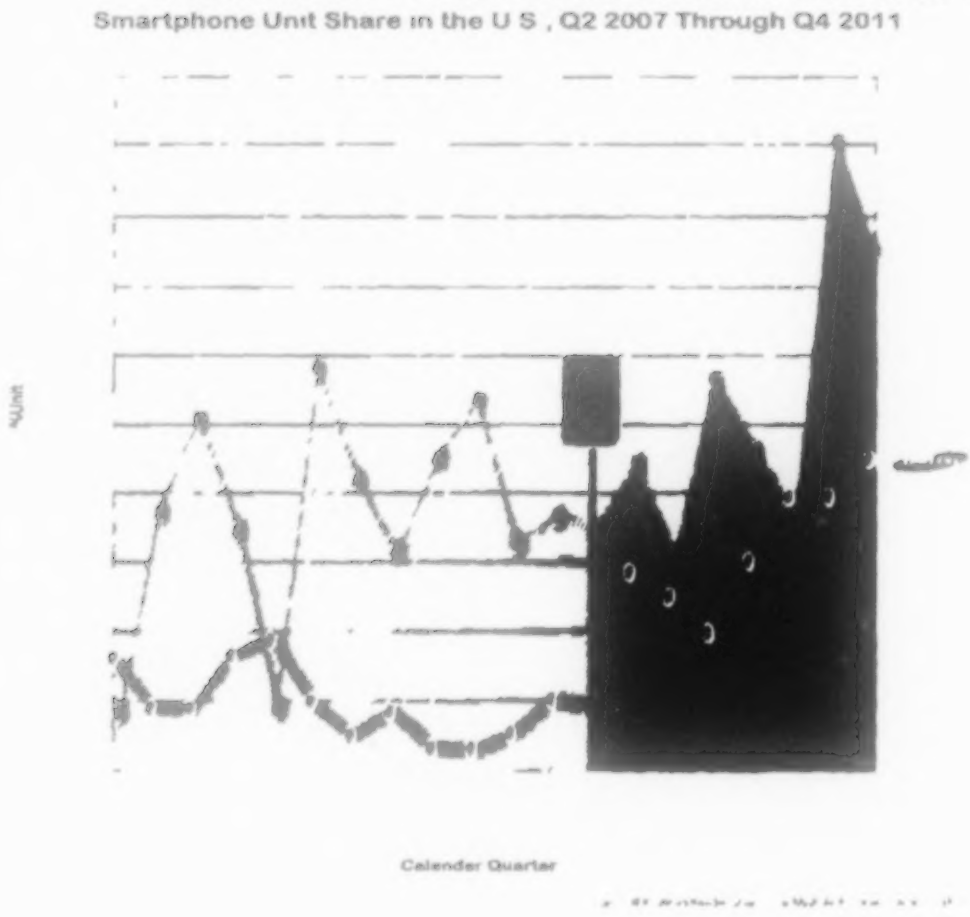

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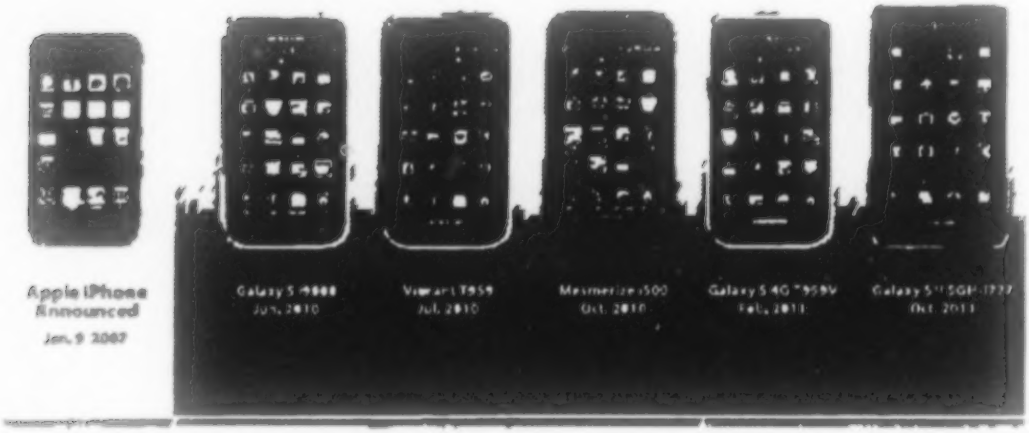
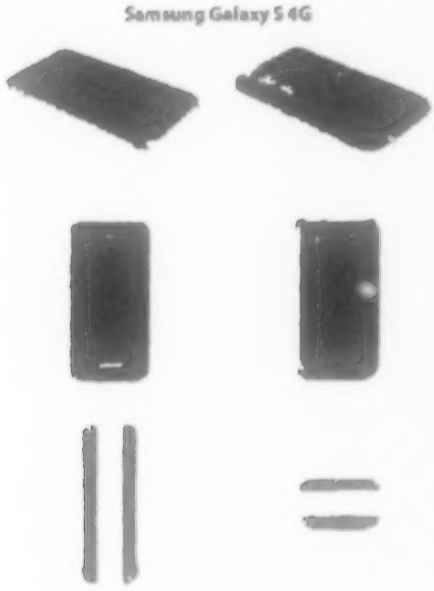


Plaintiff's Closing Trial Demonstrative No 13

Infringement of D'677 Patent

Plaintiff's Closing Trial Demonstrative No. 15

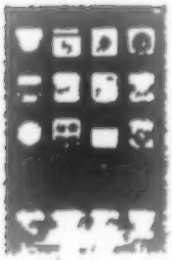
Infringement of D'087 Patent

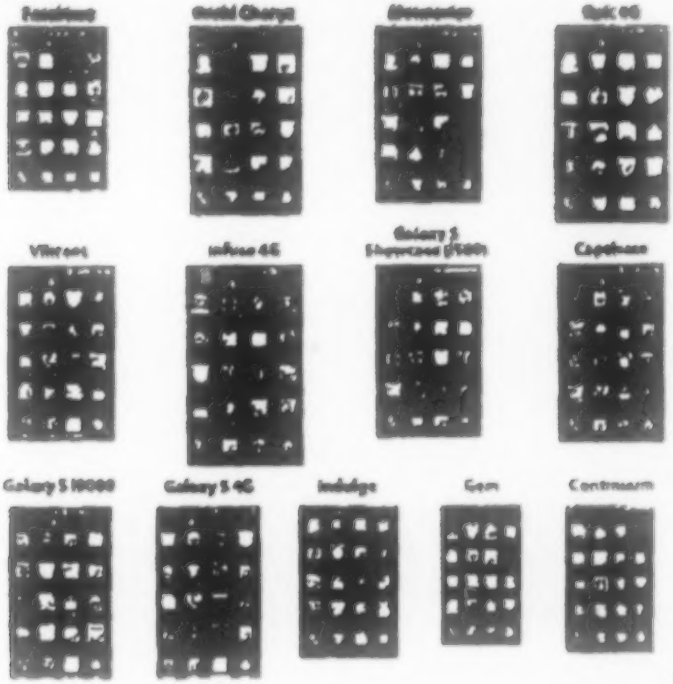


JX1019, JX1041

Plaintiff's Closing Trial Demonstrative No. 22

D'305 Patent Infringing Products





JX1042, PX21A

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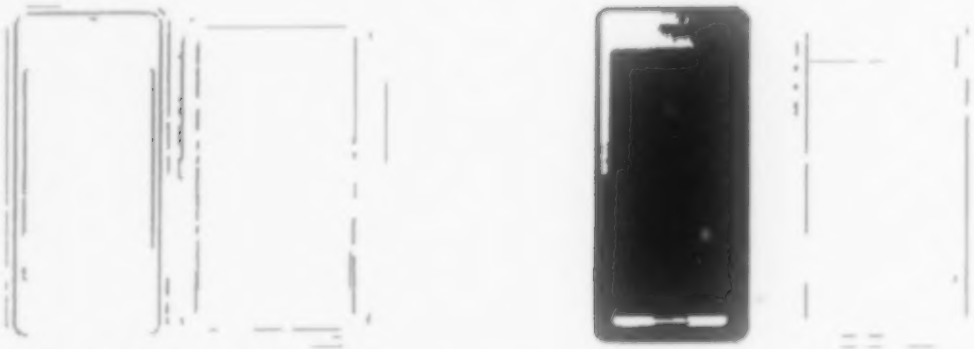

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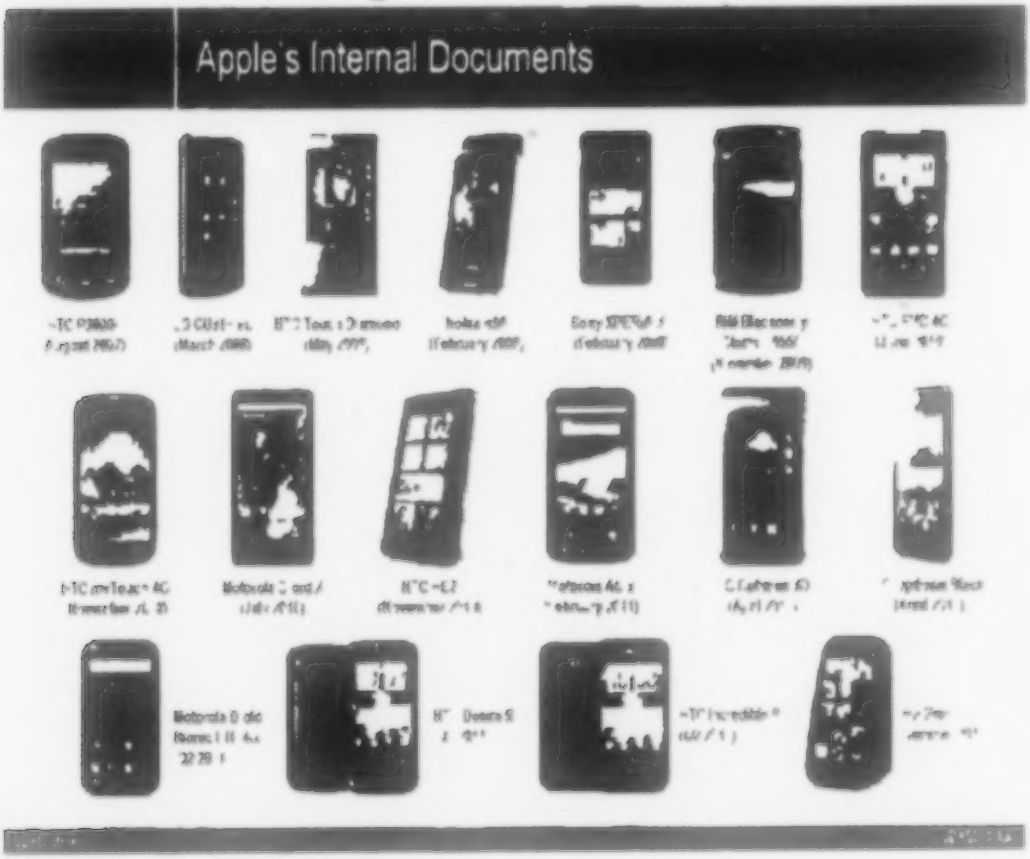
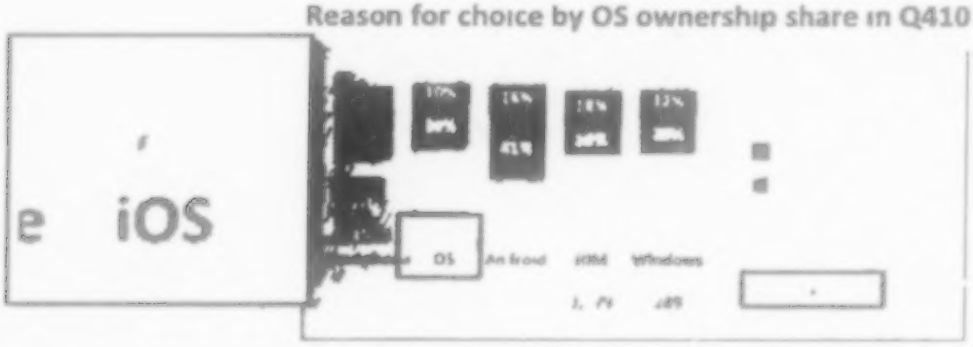


Defendants' Closing Trial Demonstrative No 5010 405

Design Is a Small Percentage of Why Consumers Buy

- Apple's own surveys confirm that "design/color" is only a small percentage (1%) of the reason for purchase



RECORD
AND
BRIEFS

Supreme Court, U.S.
FILED
JUN 1 - 2016
OFFICE OF THE CLERK

No. 15-777

IN THE

Supreme Court of the United States

SAMSUNG ELECTRONICS CO., LTD., SAMSUNG ELECTRONICS AMERICA, INC., AND SAMSUNG TELECOMMUNICATIONS AMERICA, LLC,

Petitioners,

v.

APPLE INC.,

Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

JOINT APPENDIX
VOLUME II of II

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TABLE OF CONTENTS

Page

VOLUME I

United States District Court for the Northern District of California Relevant Docket Entries *Apple Inc v Samsung Elecs Co, Ltd*, No 5 11-cv-01846-LHK-PSG 1

United States Court of Appeals for the Federal Circuit Relevant Docket Entries *Apple Inc v Samsung Elecs Co Ltd*, No 14-1335 11

March 2, 2012 Transcript of Deposition, Testimony of Minhyouk Lee (excerpt) 14

March 22, 2012 Expert Report of Terry Musika (excerpts) 19

April 20, 2012 Corrected Expert Report of Michael J Wagner (excerpts) 23

June 30, 2012 Order Granting-In-Part And Denying-In-Part Motions to Exclude Expert Testimony (excerpt) 86

July 19, 2012 Minute Order and Case Management Order (excerpt) 88

July 29, 2012 Apple's Objections to Samsung's Opening Statement Demonstrative Exhibits (excerpt) 90

July 29, 2012 Samsung's Responses to Apple's Objections to Samsung's Opening Slides (excerpt) 92

TABLE OF CONTENTS—Continued

Page

July 29, 2012 Order on Apple's Objections to Samsung's Opening Slides (excerpt) 94

July 31, 2012 Transcript of Trial Proceedings (excerpts) 96

August 3, 2012 Transcript of Trial Proceedings (excerpts) 102

August 6, 2012 Transcript of Trial Proceedings (excerpts) 142

August 7, 2012 Transcript of Trial Proceedings (excerpts) 168

August 10, 2012 Transcript of Trial Proceedings (excerpts) 177

August 12, 2012 Order Regarding Objections to Exhibits, Order Granting Apple's Motion to Exclude Testimony (excerpt) 183

August 13, 2012 Transcript of Trial Proceedings (excerpts) 186

August 13, 2012 Revised (Disputed) Joint Proposed Jury Instructions for After the Close of Evidence (excerpts) 199

August 14, 2012 Transcript of Trial Proceedings (excerpts) 210

August 15, 2012 Transcript of Trial Proceedings (excerpts) 216

August 16, 2012 Transcript of Trial Proceedings (excerpts) 220

TABLE OF CONTENTS—Continued

	Page
August 17, 2012 Transcript of Trial Proceedings (excerpts)	236
August 20, 2012 Transcript of Trial Proceedings (excerpts)	245
August 21, 2012 Exhibit L to Samsung's Proffer of Witness Testimony and Exhibits MPCP Project 2006 (excerpts)	248
August 21, 2012 Exhibit P to Samsung's Proffer of Witness Testimony and Exhibits Korean Design Registration 30-0452985 S2	257
August 21, 2012 Final Jury Instructions (excerpts)	267
August 24, 2012 Amended Verdict Form (excerpts)	272
November 11, 2013 Supplemental Order Regarding Apple's Objections to Samsung's Opening Slides	281
November 14, 2013 Transcript of Trial Proceedings (excerpts)	288
November 14, 2013 Transcript of Testimony of JunWon Lee through Deposition Designation	305
November 15, 2013 Transcript of Trial Proceedings (excerpts)	308
November 21, 2013 Verdict Form (excerpts)	338

TABLE OF CONTENTS—Continued

Page

February 7, 2014 Order Denying Samsung's Motion For Judgment As A Matter of Law, Remittur, Or A New Trial, Denying Apple's Motion For Judgment As A Matter Of Law And Other Posttrial Relief (excerpts) 340

August 25, 2015 Letter to District Court from Apple Requesting Entry of Partial Final Judgment 348

September 18, 2015 Partial Final Judgment 350

TRIAL DEMONSTRATIVES

Plaintiff's Trial Demonstrative No 34B 9 351

Defendants' Trial Demonstrative No 3909 59 351

Plaintiff's Closing Trial Demonstrative No 9 352

Plaintiff's Closing Trial Demonstrative No 13 352

Plaintiff's Closing Trial Demonstrative No 15 353

Plaintiff's Closing Trial Demonstrative No 22 353

Defendants' Closing Trial Demonstrative No 5010 014 354

Defendants' Closing Trial Demonstrative No 5010 130 354

TABLE OF CONTENTS—Continued

Page

Defendants' Closing Trial Demonstrative No 5010 405 355

VOLUME II

TRIAL EXHIBITS

Plaintiff's Exhibit 3, Apple and Samsung Smartphones 356

Plaintiff's Exhibit 6, Summary of Press Reports Regarding Samsung Phone Designs 359

Plaintiff's Exhibit 7, Photographs of accused Samsung devices 365

Plaintiff's Exhibit 10, Design alternatives considered by Peter Bressler (excerpt) 395

Plaintiff's Exhibit 34, Translation of Presentation Feasibility Review on Standalone AP Business for Smart Phone Market (excerpts) 396

Plaintiff's Exhibit 36, Presentation Touch Portfolio Rollout Strategy Recommendation Based on Consumer Insight (excerpts) 401

Plaintiff's Exhibit 40, Translation of Email from Bong-Hee Kim regarding Summary of Executive-Level Meeting Supervised by Head of Division (February 10) 414

TABLE OF CONTENTS—Continued

Page

Plaintiff's Exhibit 44, Relative Evaluation Report on S1, iPhone, March 2, 2010 Product Engineering Team SW Verification Group (excerpts) 426

Plaintiff's Exhibit 52, Presentation Samsung's Use of Apple Patents in Smartphones (excerpts) 429

Plaintiff's Exhibit 69, JD Power And Associates 2011 Wireless Smartphone Satisfaction Survey (excerpts) 434

Plaintiff's Exhibit 133, "Apple Waves Its Wand at the iPhone," by David Pogue, New York Times, January 11, 2007 441

Plaintiff's Exhibit 134, "Testing Out the iPhone," by Walter S Mossberg and Katherine Boehert, The Wall Street Journal, June 27, 2007 447

Plaintiff's Exhibit 135, "Best Inventions of 2007," by Lev Grossman, Time, November 1, 2007 459

Plaintiff's Exhibit 143, Excerpts from iPhone Buyer Survey, FY10-Q4 464

Plaintiff's Exhibit 144, Excerpts from iPhone Buyer Survey, FY11-Q1 470

Plaintiff's Exhibit 145, Excerpts from iPhone Buyer Survey, FY11-Q2 472

Plaintiff's Exhibit 146, Excerpts from iPhone Buyer Survey, FY11-Q3 474

TABLE OF CONTENTS—Continued

Page

Plaintiff's Exhibit 158A, User Interface Alternative Designs—BlackBerry Torch 9850 . 476

Defendants' Exhibit 511, Japanese design patent JP D1241638 ("JP638") 477

Defendants' Exhibit 572, Smartphone Market Study, US, January 2011 (excerpts) 484

Defendants' Exhibit 578, April 14, 2010 Apple internal email chain and meeting agenda, subject line "iPhone 'firsts'" 488

Defendants' Exhibit 586, Samsung-Apple Licensing Discussion, October 5, 2010 493

Defendants' Exhibit 592, ComTech United States Report Q410 (excerpts) 502

Defendants' Exhibit 684, Photographic Summary of Samsung Devices 506

Defendants' Exhibit 727, Korean Registered Design KR30-0418547, Certified Translation 507

Defendants' Exhibit 728, Japanese Design Registration JP D1241383, Certified Translation 513

Defendants' Exhibit 2627, 3GSM Congress Trade Show Report (excerpts) 521

Defendants' Exhibit 2708, Email from P Schiller re Preliminary US Smartphone Purchase Influencers Retail Study data 525

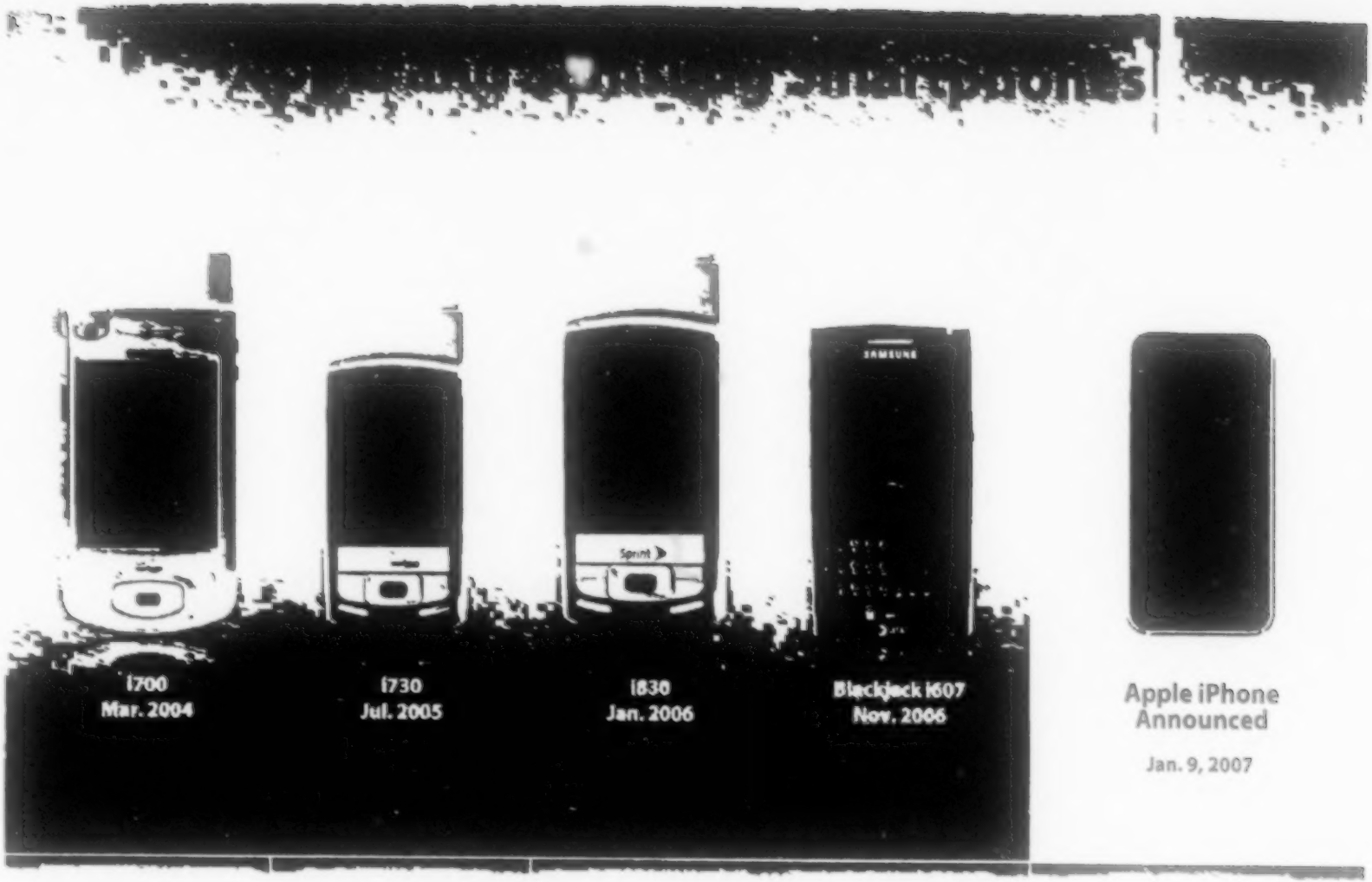
TABLE OF CONTENTS—Continued

Page

Joint Exhibit 1041, Certified copy of US D593,087, issued May 26, 2009 530

Joint Exhibit 1042, Certified copy of US D604,305, issued November 17, 2009 553

Joint Exhibit 1043, Certified copy of US D618,677, issued June 29, 2010 566



PLAINTIFF'S EXHIBIT NO. 3
United States District Court
Northern District of California
Case No. 11-CV-01846-LHK (PSG)
Apple Inc. v. Samsung Elec.
Page 1 of 1

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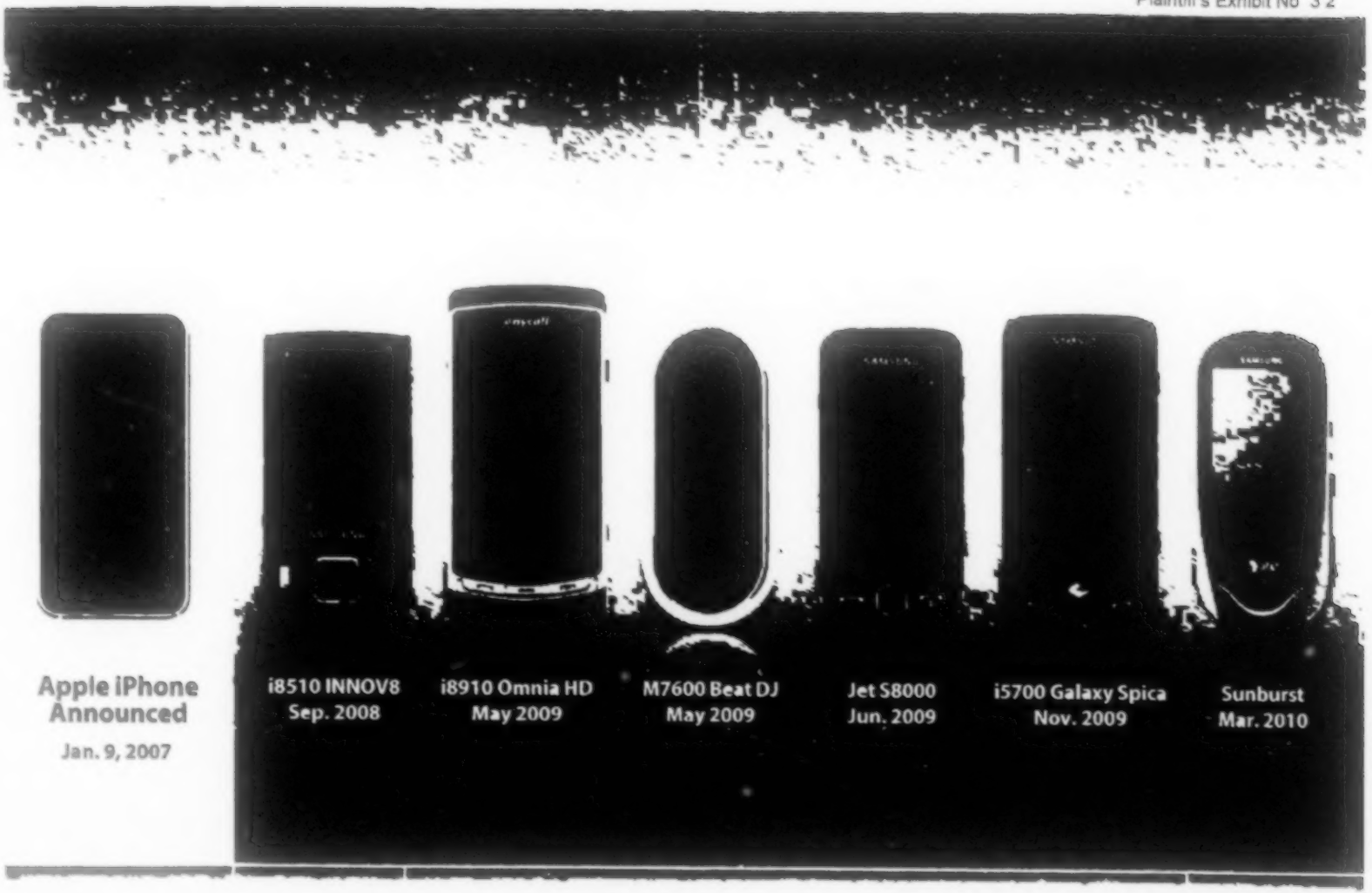

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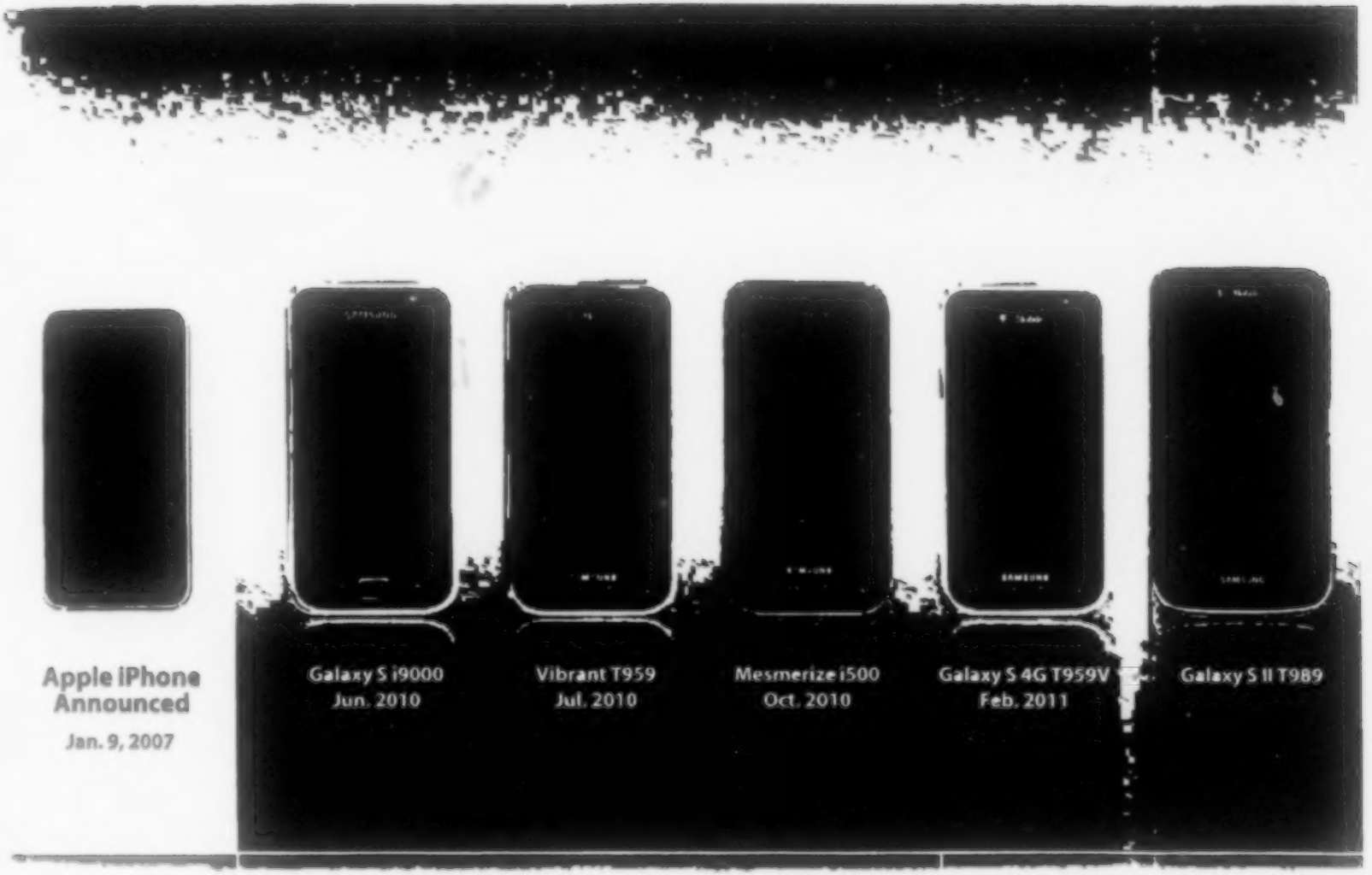


PLAINTIFF'S EXHIBIT NO 6

Summary of Press Reports Regarding Samsung Phone Designs

"Samsung Galaxy S: How Does It Measure Up to the Competition," by Ginny Mies *PCWorld*, June 29, 2010

This article reviews the Galaxy S, indicating that the reviewer was "surprised by how familiar it looked " The reviewer explained the familiarity "[t]he design is actually very iPhone 3GS-like with an all black, shiny plastic body and minimal buttons on the phone's face "

"Samsung Vibrant: A Standout Multimedia Phone," by Ginny Mies *Washington Post*, July 12, 2010

This article reviews the Samsung Vibrant, explaining that "[l]ike the European Galaxy S, the Vibrant resembles an iPhone 3GS "

"First Look: Samsung Vibrant Rips Off iPhone 3G Design," by Priya Ganapati *Wired*, July 15, 2010

This article reviews the Samsung Vibrant, stating that "Samsung's latest phone, the Vibrant, has the body of an iPhone and the brains of an Android " The article continues "[t]he Vibrant's industrial design is shockingly similar to the iPhone 3G The rounded curves at the corners, the candybar shape, the glossy, black finish and the chrome-colored metallic border around the display The Vibrant even has its volume and ringer buttons in almost the same spot as the iPhone 3G " The review also states that "the square icons are, again, very similar in their looks to the iPhone 3G's " The article also describes the Vibrant as

having a "derivative design" and that "there's little to make the phone notable, apart from its striking similarity to the iPhone." The article ends with photo of the two phones side-by-side, prefaced with a comment to "[c]heck out the photo of the Samsung Vibrant next to the iPhone 3G below."

"Samsung Galaxy S Review: T-Mobile Vibrant and AT&T Captivate," by Seth Weintraub *CNN Money*, July 18, 2010

This article reviews two Samsung Galaxy S phones, including the Vibrant. The article states that "[t]he Vibrant looks like a thinner, lighter — but also bigger — iPhone 3GS." The reviewer continues that he "prefer[s] the rounded, soft iPhone 3GS-type plastic that the Galaxies have."

"Samsung Vibrant Review," by Brian Neal *Laptop*, July 20, 2010

This article reviews the Samsung Vibrant, stating that "[a]t a glance, the chrome-like border, edge to edge glass display (overlying black plastic), and curved candy bar shape of the Vibrant could easily be mistaken for the iPhone 3GS." The article continues "At first glance, the UI looks quite similar to iOS. The phone icon in particular looks nearly identical to the one in iOS, and the application screen has a static black background (which saves battery life) where you swipe left to right to view your installed apps like the iPhone, instead of the traditional vertical scrolling for Android phones."

"Samsung Vibrant," by Lisa Gade *MobileTechReview*, July 21, 2010

This article reviews the Samsung Vibrant, stating that "[a]t first glance, the Vibrant looks like a thinner

iPhone 3GS, complete with curved plastic back and a front face dominated by glass and a black surround "

"Galaxy Phones from Samsung Are Worthy iPhone Rivals," by Walter S. Mossberg *The Wall Street Journal*, July 22, 2010

This article reviews two Samsung Galaxy S phones, including the Vibrant The article states that "[t]he T-Mobile Vibrant has rounded corners and a prominent border that make it look very much like last year's iPhone 3GS model "

"Samsung Vibrant Review," by Phil Nickinson *AndroidCentral*, July 27, 2010

This article reviews the Samsung Vibrant and states that "[t]he Samsung Vibrant inevitably will be compared to previous versions of the iPhone, thanks to its rounded corners and plastic shell " It also states "Don't worry that it sort of looks like the iPhone "

"Samsung Vibrant Review," by Stewart Wolpin *Digital Trends*, July 30, 2010

This article reviews the Samsung Vibrant and states that "[w]ith its front silver frame, the smooth, rounded Vibrant bears a resemblance to the first iPhone " The article also states that "[f]or the Galaxy S phones, Samsung has changed the app menu from the usual vertical slide-up screen to an iPhone-like four-by-four grid of icons arrayed across a series of swipable horizontal screens "

"Samsung Vibrant Review," by Antoine Wright *Brighthand*, August 4, 2010

This article reviews the Samsung Vibrant and states that "the Vibrant seems as if it takes no shame in looking like an iPhone 3GS It even caught a few people off guard until they saw the display and, like

myself, realized that this was definitely something different."

"Review: Samsung Vibrant," by Kelcey Lehrich *Electronista*, August 15, 2010

This article reviews the Samsung Vibrant and states "The Vibrant, even more so than most other versions, is roughly the same size and shape as an iPhone." The article includes a photographic side-by-side comparison between the Apple iPhone 4 and the Samsung Vibrant.

"Review: Samsung Galaxy S Vibrant," by Mike Yawney *The Review Crew*, August 15, 2010

This article reviews the Samsung Galaxy S Vibrant and states "Samsung's Galaxy S Vibrant is one sleek looking phone. In fact when I first unboxed it at the office many walked by and asked if it was an iPhone." The article includes a photographic side-by-side comparison between the Apple iPhone 4 and the Samsung Galaxy S Vibrant.

"Samsung Vibrant Looks Like an iPhone, Has Battery Life to Match," by Terrence Russell *Wired*, August 16, 2010

This article reviews the Samsung Vibrant and states "First, let's settle one of the biggest arguments surrounding this phone. Yes, the Vibrant closely resembles a certain bestselling smartphone. iPhone Android users within the WIRED office agreed. The Blackberry clique concurred. Even Apple acolytes conceded that there's something unmistakably familiar about the Vibrant's looks."

"Review: Samsung Vibrant is the Flagship of the Galaxy S Fleet," by Jason Hiner *TechRepublic*, September 16, 2010

This article reviews the Samsung Vibrant and states "For all of its high-end features, the Vibrant doesn't sacrifice as much in design as the oversized HTC EVO or Motorola Droid X The Vibrant is much thinner, lighter, and easier to fit in a pocket, belt case, or handbag It also has an attractive — if not flashy — look The designers were obviously mimicking the look of the old iPhone (pre-iPhone 4) with the chrome edge around the screen and the plastic backing "

"Samsung Fascinate Review: How Verizon Meddling Ruined an Excellent Android Phone," by Jason Hiner

***TechRepublic*, October 25, 2010**

This article reviews the Samsung Fascinate and states "The Fascinate is remarkably slim and attractive It is reminiscent of the iPhone 4 in that regard, although not made of the same top-notch materials "

"Samsung Mesmerize: A Top-Notch Galaxy Phone," by Armando Rodriguez *PC World*, November 23, 2010

This article reviews the Samsung Mesmerize and states "Though, as noted, this phone is nearly identical to the Samsung Vibrant, it is slightly lighter (0 34 ounces lighter, to be exact) and a bit taller Coming in at 4 92 by 2 53 by 0 39 inches, the Mesmerize won't feel bulky in your hand or pocket Like its Verizon cousin, its sleek and streamlined design feels very reminiscent of the iPhone 3GS "

"Samsung Vibrant Review," by Adam Z. Lein *Pocketnow*, January 25, 2011

This article reviews the Samsung Vibrant The article states that the Vibrant is "the most blatant

iPhone clone we've seen so far The hardware, the software UI all scream iPhone clone "

"Watch Out iPhone: Samsung's Galaxy S II Is Hot," by Daniel Ionescu *PC World*, May 9, 2011

This article describes the Samsung Galaxy S II and states "If the Samsung Galaxy S II looks familiar it's because it resembles Apple's popular iPhone 4 "

365

PLAINTIFF'S EXHIBIT NO 7

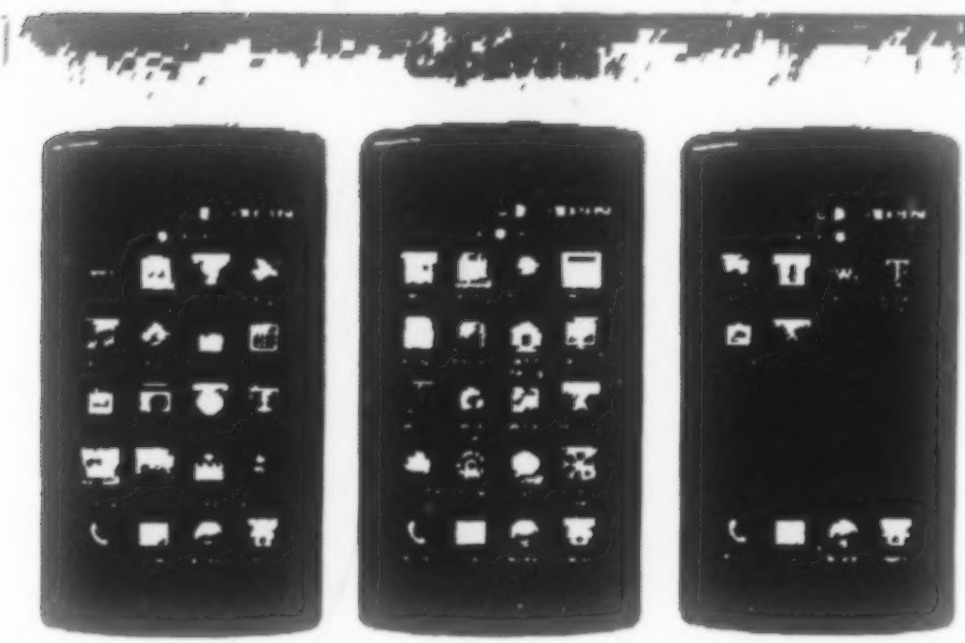
Accused Products

Plaintiff's Exhibit No 7 2

Acclaim

Plaintiff's Exhibit No 7 3

Plaintiff's Exhibit No 7 4



Views corresponding to D'305

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Plaintiff's Exhibit No 7 6

Views corresponding to D'305

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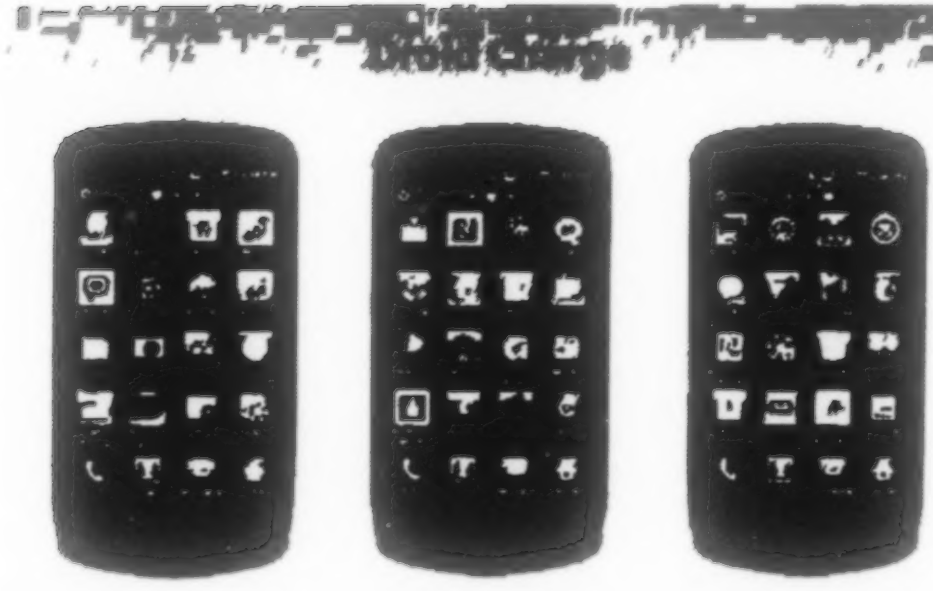
Plaintiff's Exhibit No 7 8



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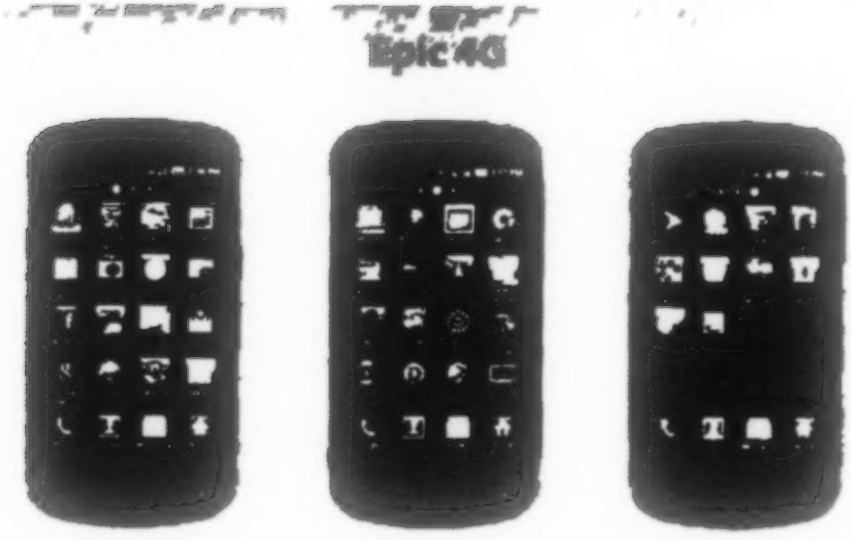

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Plaintiff's Exhibit No 7 11

Plaintiff's Exhibit No 7 12

Plaintiff's Exhibit No 7 13

Views corresponding to D'677

Plaintiff's Exhibit No 7 14

Views corresponding to D 305

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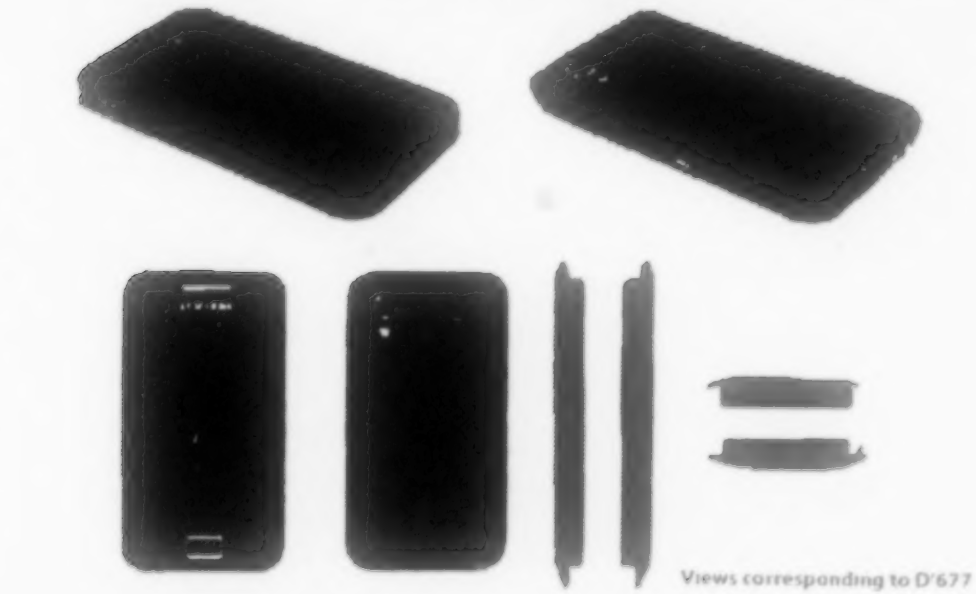

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Galaxy Prevail

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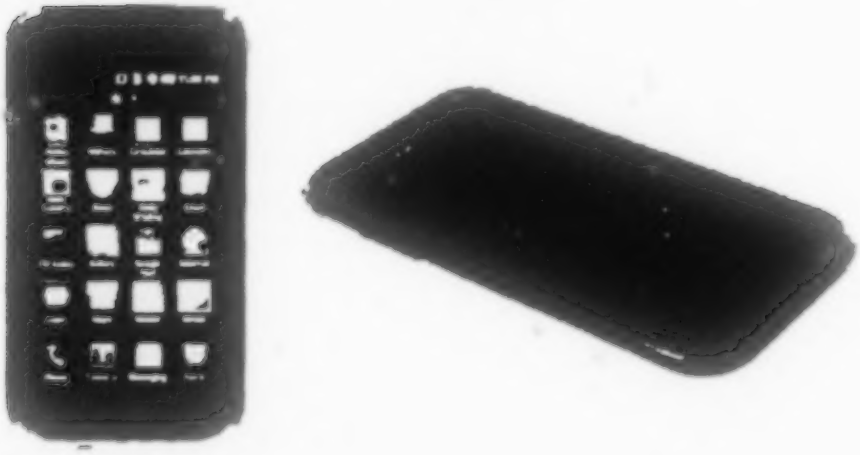
Galaxy S (i9000)



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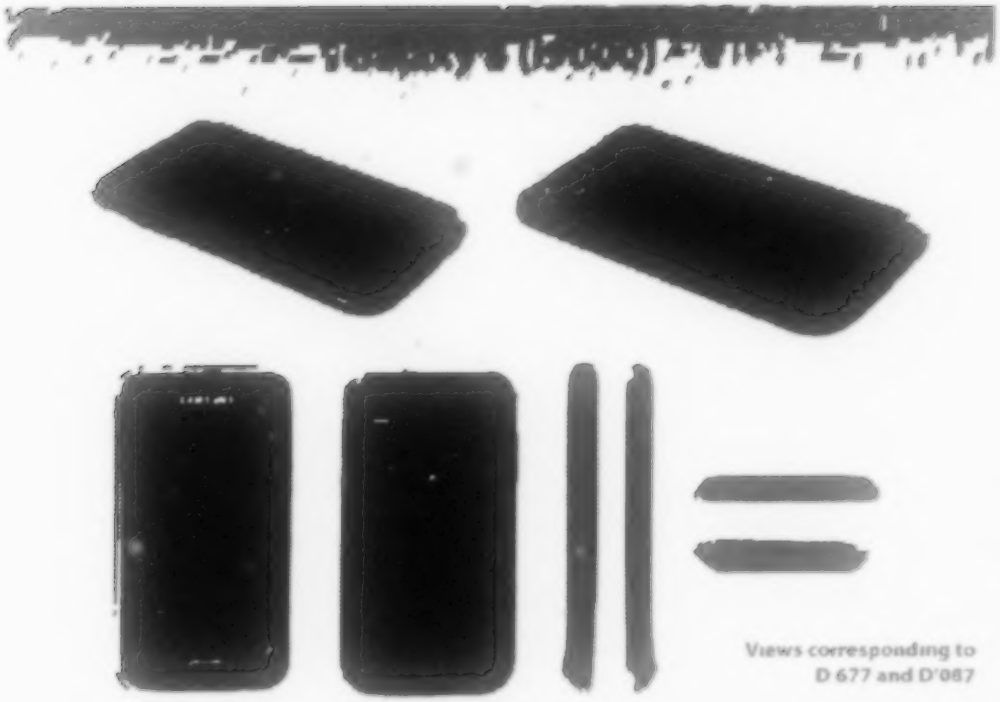

Views corresponding to
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Views corresponding to D 305

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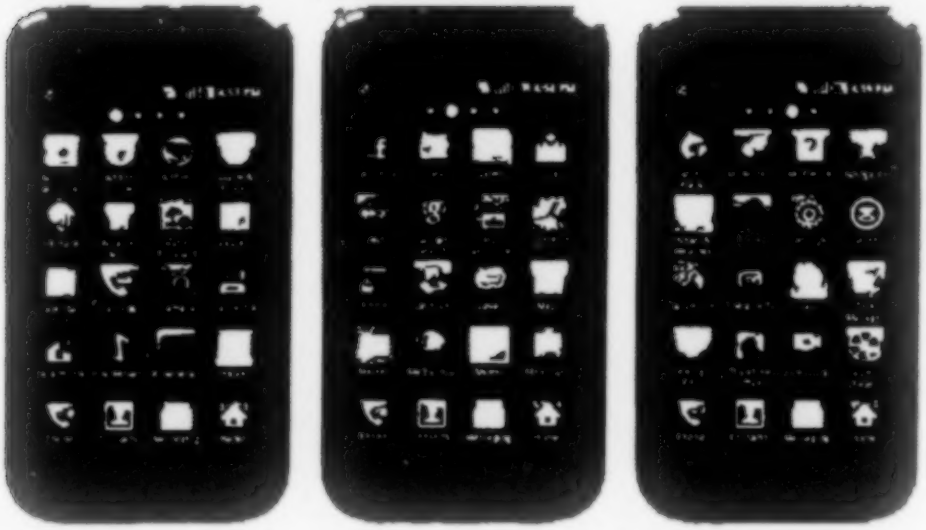

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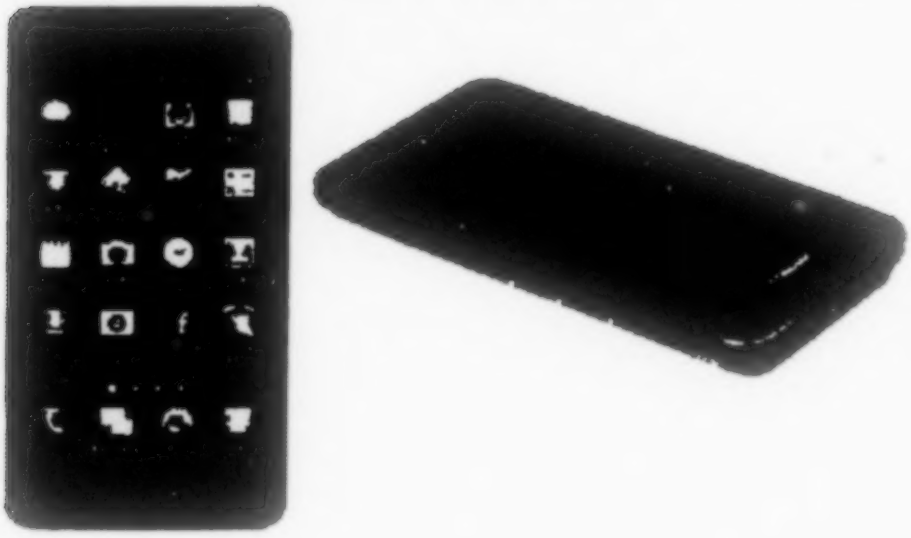

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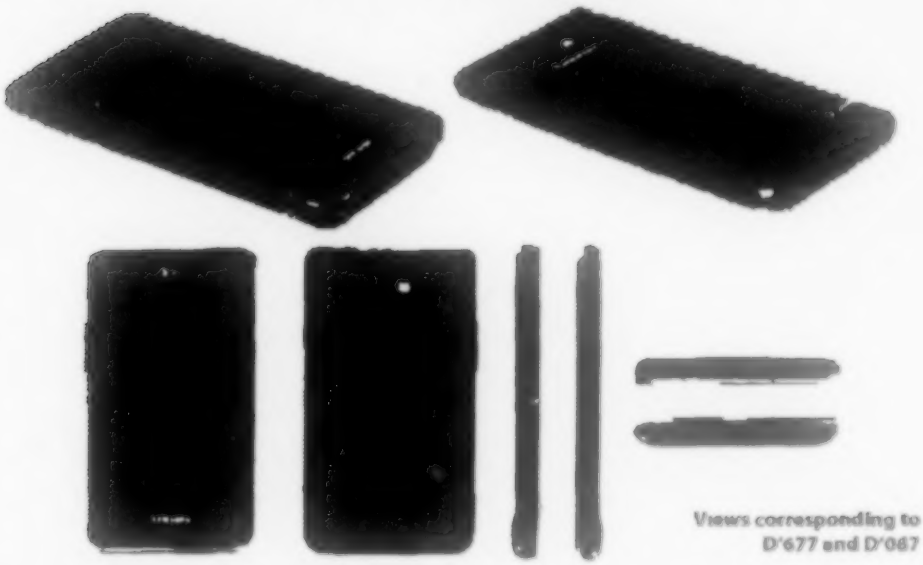

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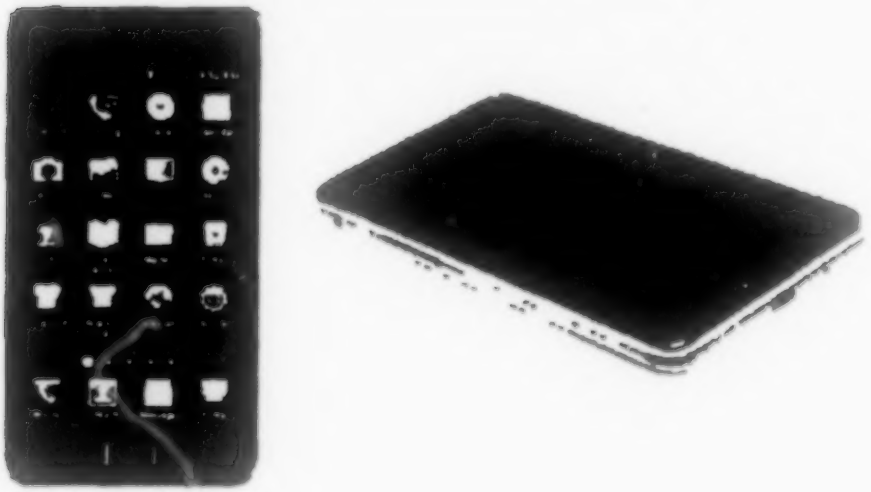

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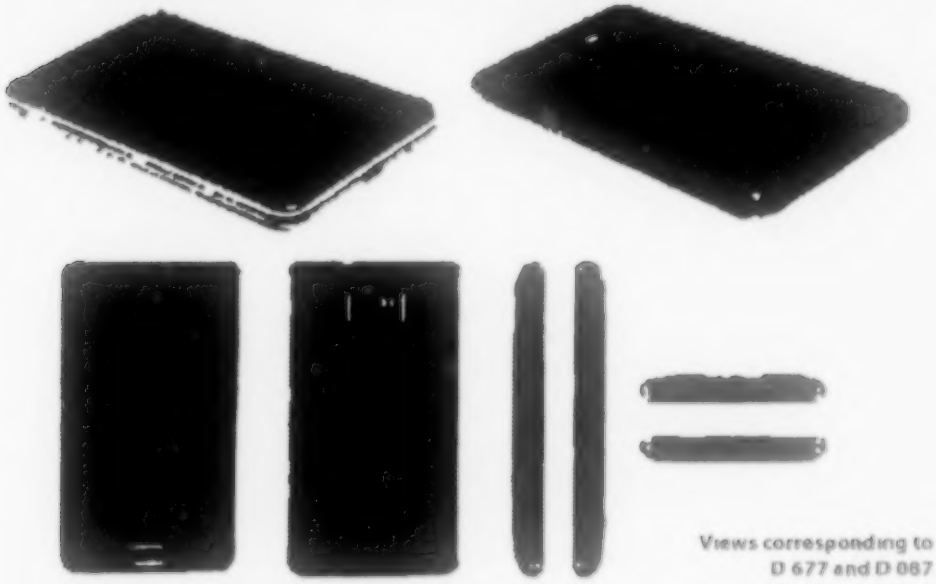
Galaxy S II (i9100)



Views corresponding to D'677 and D'087

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Galaxy S II (T-Mobile)

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Galaxy S II (T-Mobile)

Views corresponding to D'677

Plaintiff's Exhibit No. 7.30

Galaxy S II (Epic 4G Touch)

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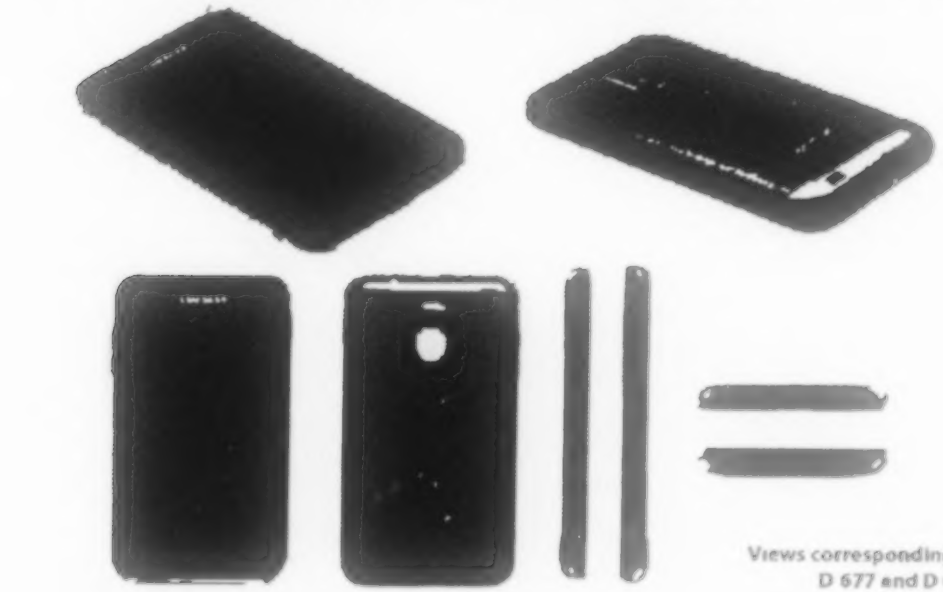

Views corresponding to
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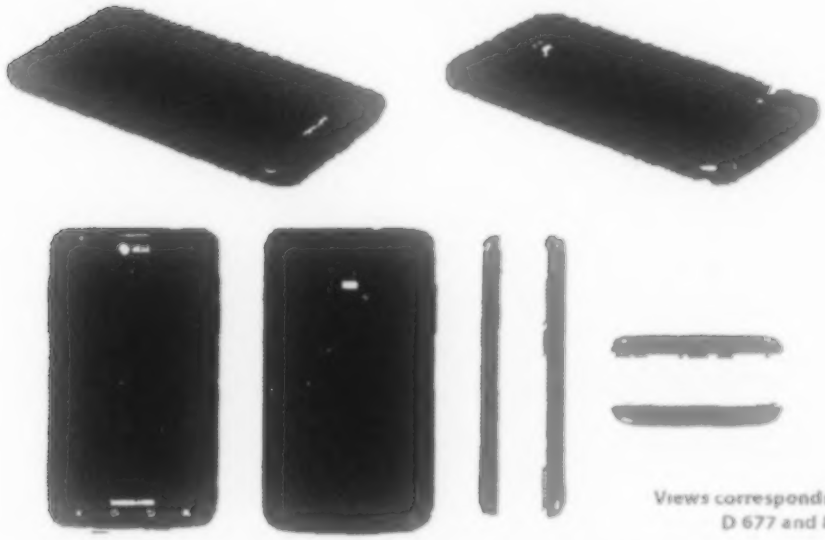
Galaxy S II (Skyrocket)

Plaintiff's Exhibit No 7 33

Galaxy S II (Skyrocket)



Views corresponding to
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Galaxy S Showcase (I500)

Plaintiff's Exhibit No. 7.35

Views corresponding to D'677

Plaintiff's Exhibit No. 7.36

Views corresponding to D'305

Plaintiff's Exhibit No. 7.37

Galaxy Tab

Plaintiff's Exhibit No. 7.38

Galaxy Tab 10.1 (WiFi)

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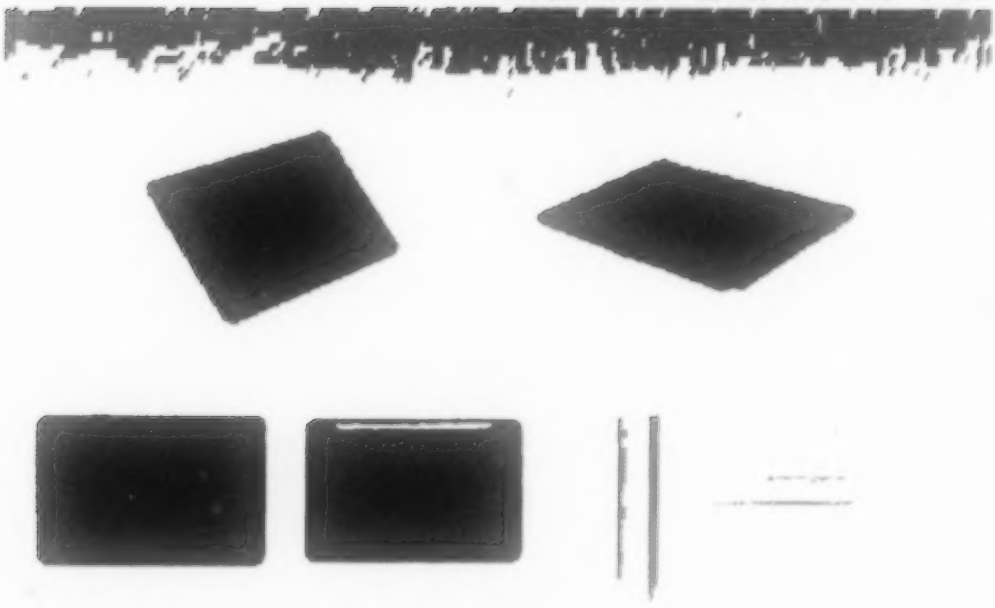

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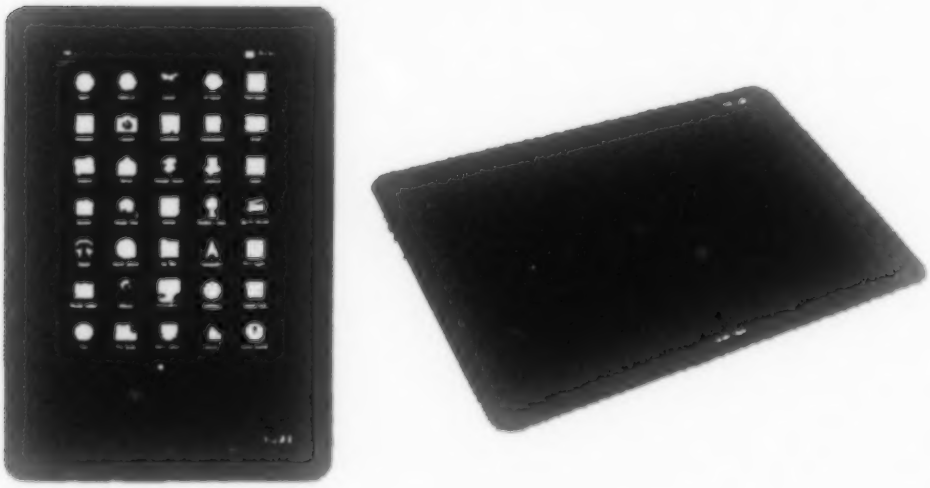

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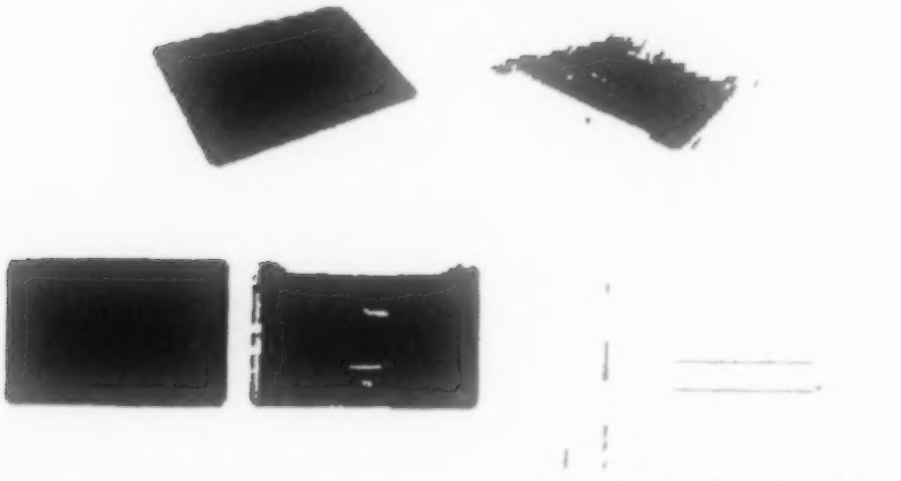

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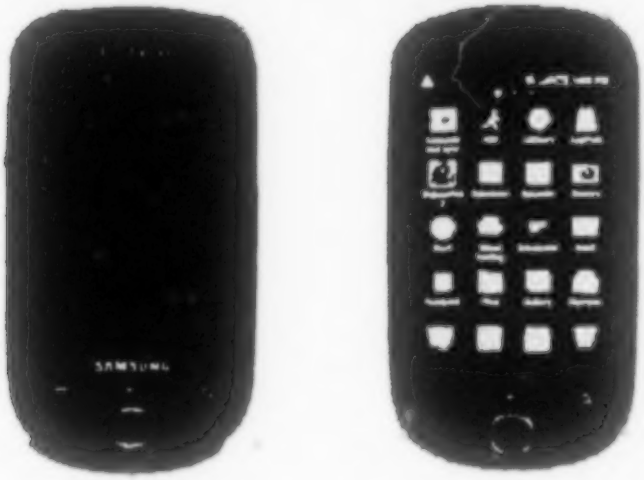

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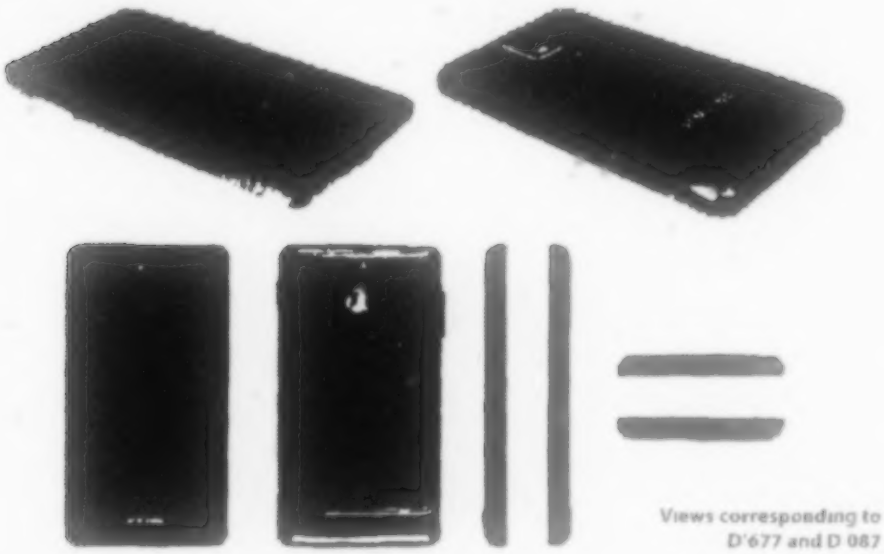
Plaintiff's Exhibit No 7 45

Infuse 4G

Plaintiff's Exhibit No 7 46

Infuse 4G



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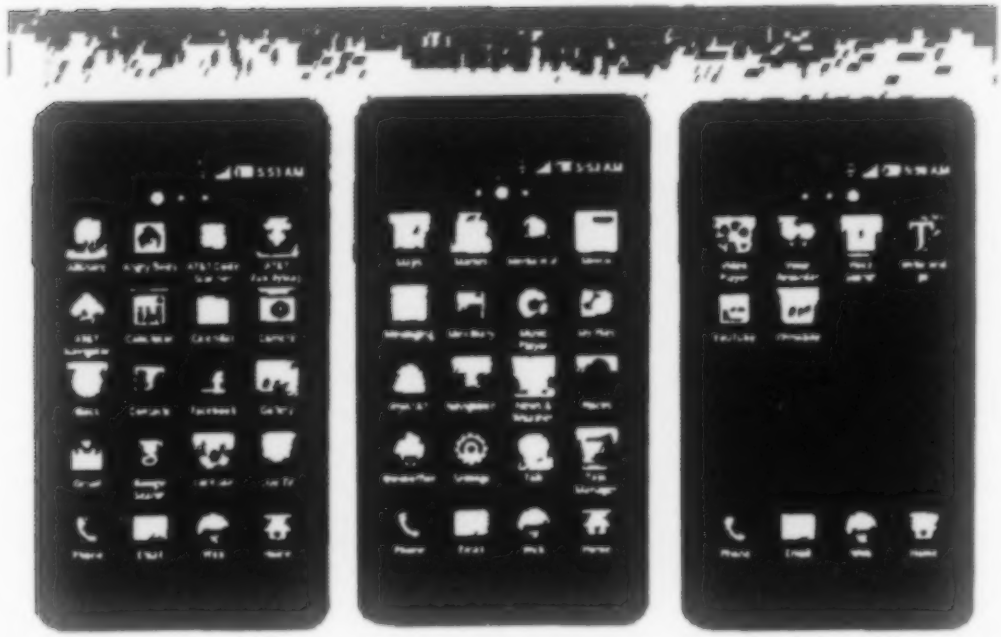


Views corresponding to D'305

Plaintiff's Exhibit No 7 48

Plaintiff's Exhibit No 7 49

Mesmerize

Plaintiff's Exhibit No 7 50

Mesmerize

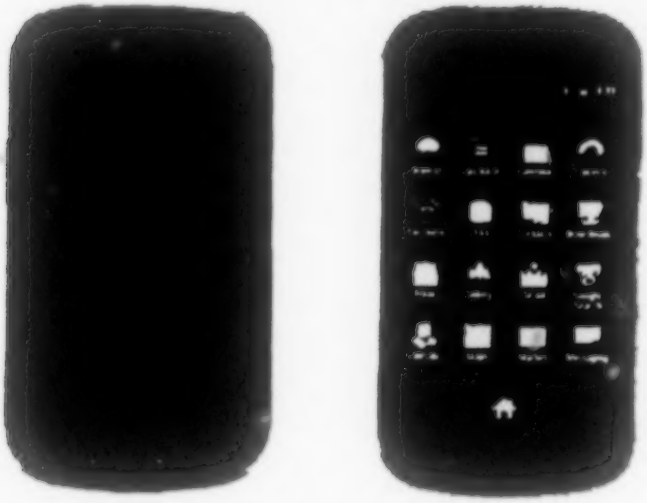
Plaintiff's Exhibit No 7 51

Views corresponding to D'305

Plaintiff's Exhibit No 7 52

Plaintiff's Exhibit No 7 53

Nexus S 4G



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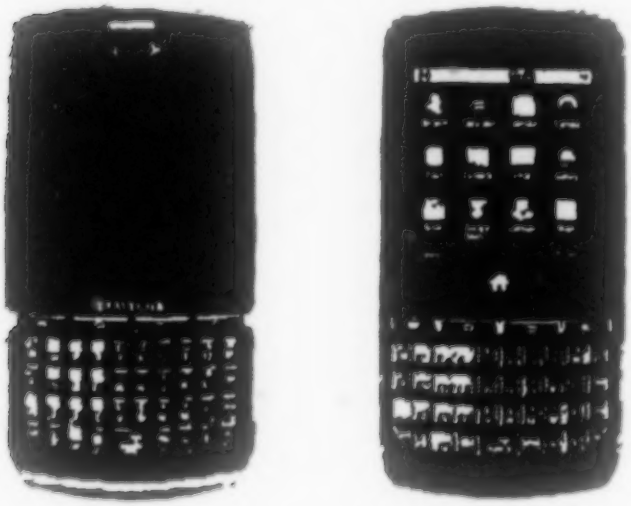
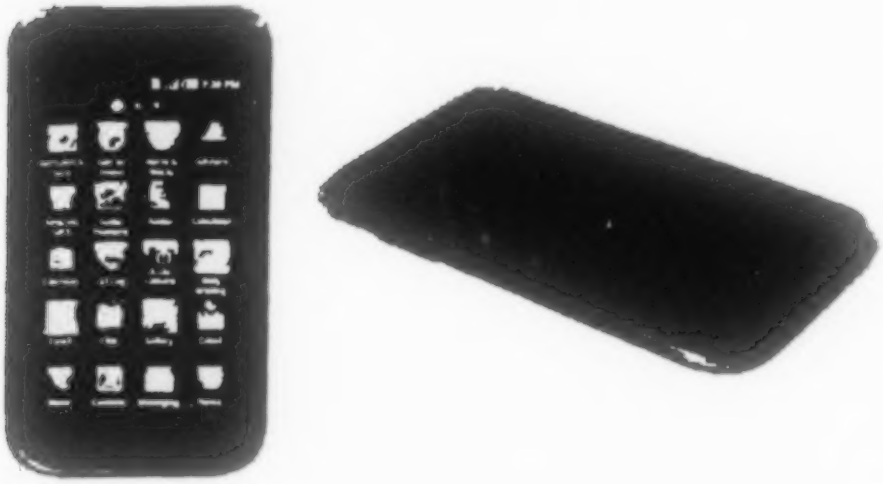


Plaintiff's Exhibit No 7 55

Plaintiff's Exhibit No 7 56

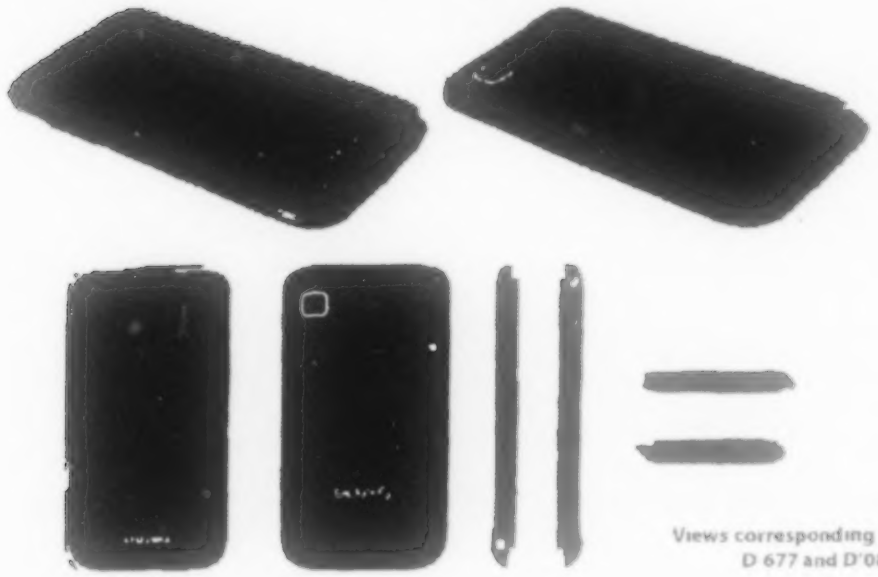
Plaintiff's Exhibit No 7 57

Vibrant



Plaintiff's Exhibit No 7 58

Vibrant

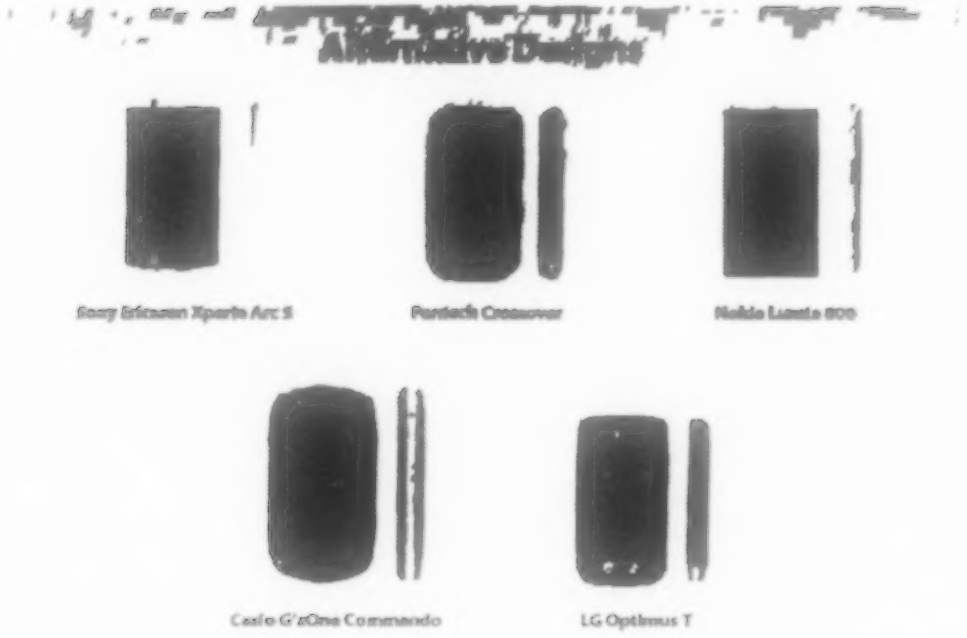


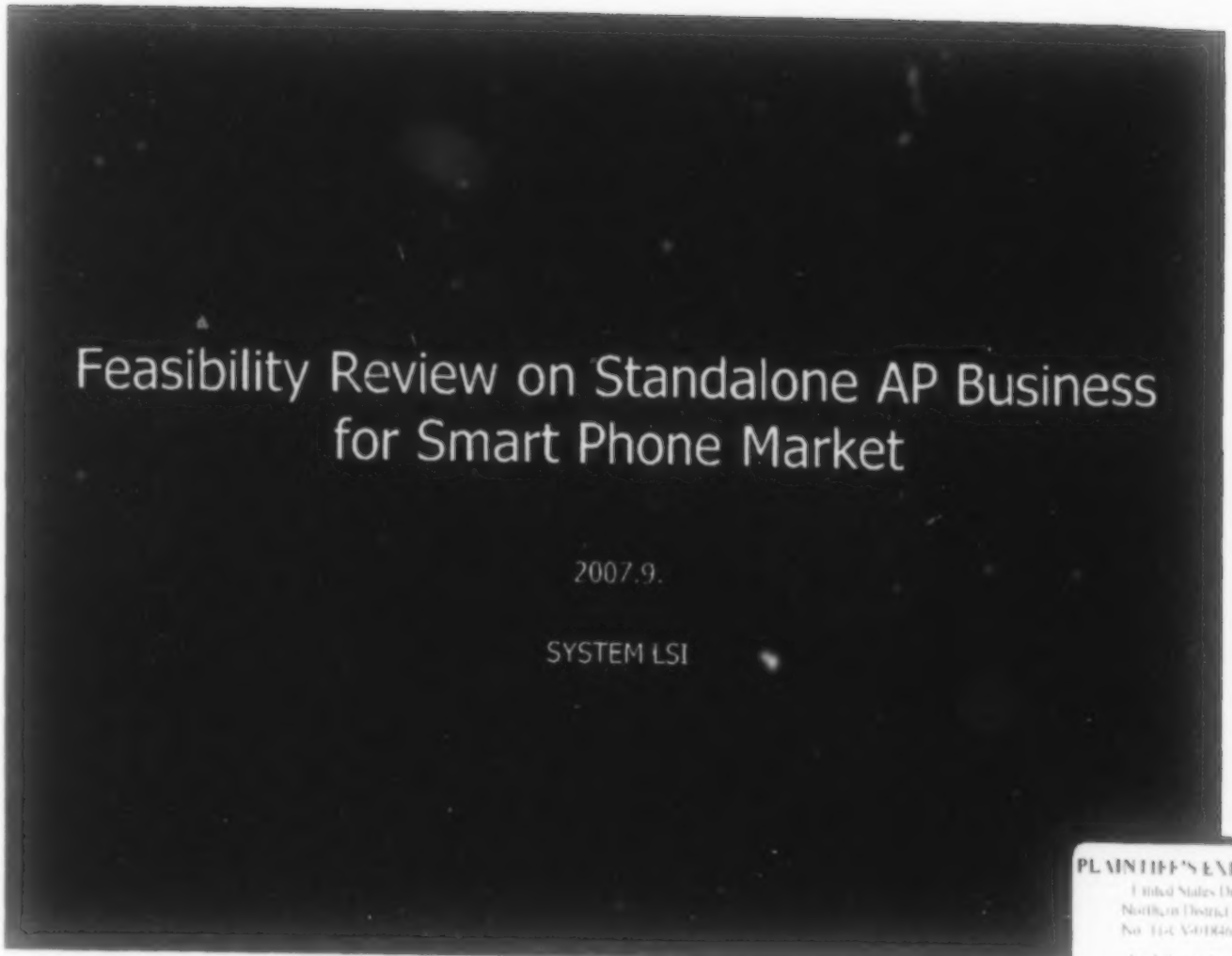
Views corresponding to
D 677 and D'087

Plaintiff's Exhibit No 7 59

Views corresponding to D'305

PLAINTIFF'S EXHIBIT NO 10





PLAINTIFF'S EXHIBIT NO. 34
United States District Court
Northern District of California
No. 11-C V-01846-LHK (PSG)
Apple Inc. v. Samsung Elecs.
Date Admitted By

Translation

Executive Summary

1 **Smartphone market forecast and trends: SW plays a key role in mobile phone market-HLOS[1]**

- HLOS installation in feature phones is accelerated and occupies 35% of the 2011 mobile phone market
- Smartphones evolving into portable PCs, and full browsing and multimedia functions are improving

2 **Smartphone modems and AP market forecast: If one-chip[2] is favored, two-chip[3] MS is forecasted to be 26% in 2011**

- If all respond with two-chip in 'mid-end' market, two-chip has outlook of 57% MS in 2011
- Major customers selected one-chip +HWA[4] as main platform for the mass market

3 **Competition in modem and AP markets: two-chip even more disadvantaged due to emergence of one OS[5] exceeding simple one chip**

- Because most chip vendors have procured 3 5G modem technology, modem is essential for competing
- With the appearance of one OS, it is possible for one-chip to deal with high-end market by diversifying line-up
- One-chip vendors[6] can sufficiently provide two-chip solutions as well thru the combination of modem / AP if the market demands

4 **Our slim modem[7] strategy: essential to secure total platform roadmap and AP self-sustenance**

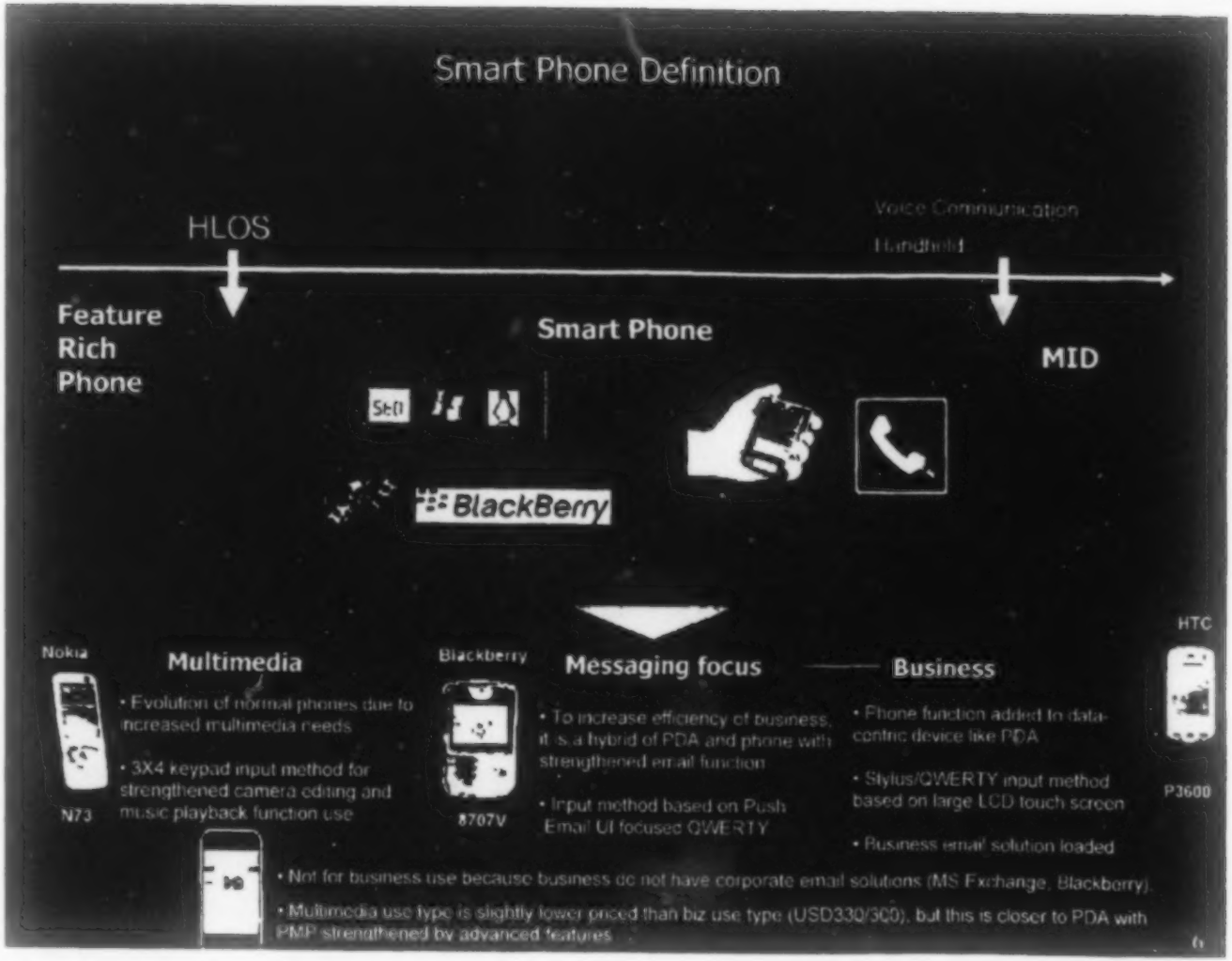
- Modem: Not a viable long-term strategy due to difficulty in finding stable slim modem partners
- AP: If further delayed, it will be difficult to secure self-sustenance (strength in functionality, niche market) of AP to counter other companies

5 **Advice: Develop total platform-One OS SW and One Chip HW in architectural[8] perspective**

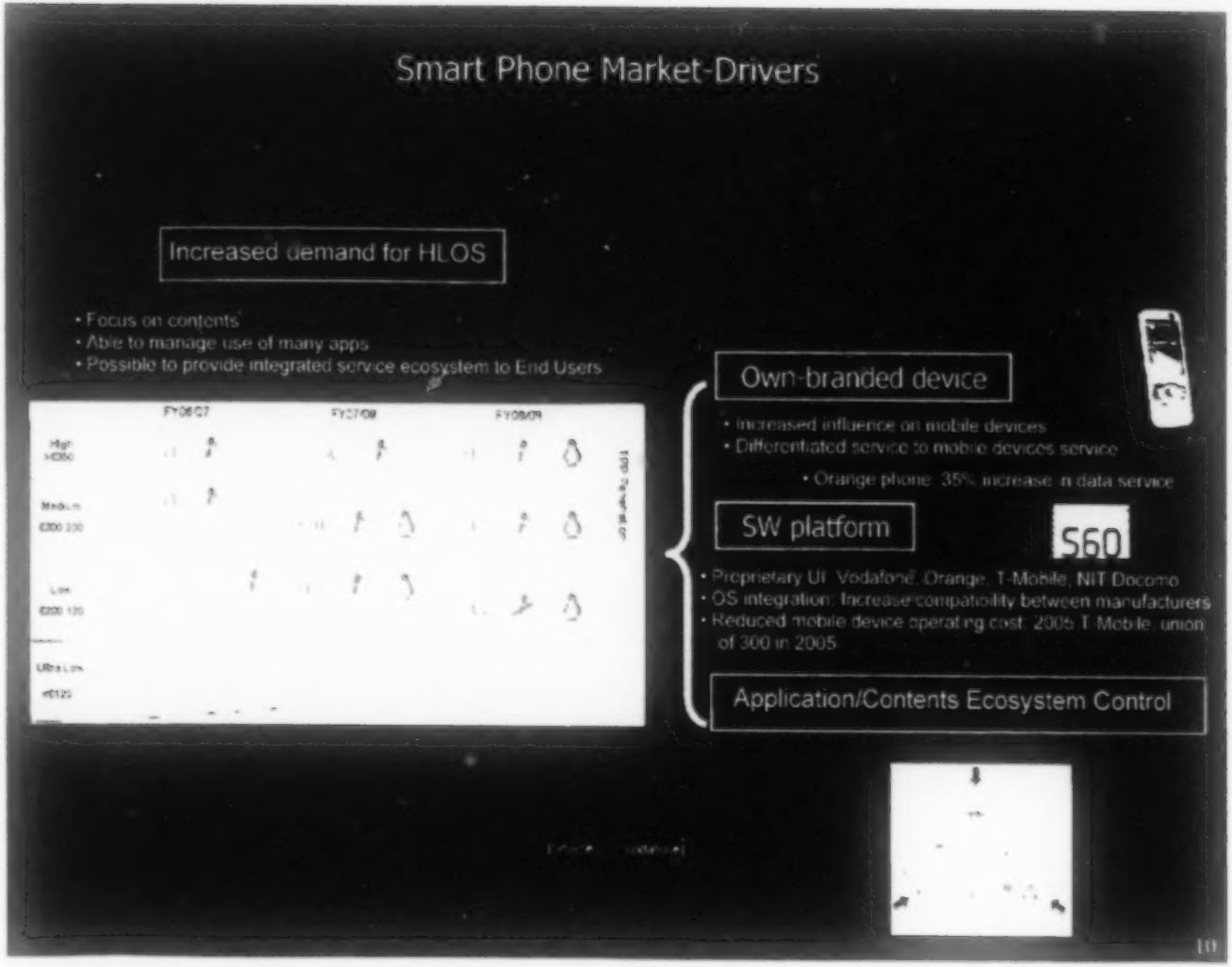
- In survival mode until our company provides one-chip → expand market influence top-down after securing one-chip
- Develop SW and HW after first defining in integrated perspective their functions and interface between them on the system

-High level OS, OS for general purpose computing environment, to support diverse System uses, possible to manage more complex resources than specialized OS – modem integrated AP – standalone AP + standalone modem -hardware accelerator, similar concept with MC – For SoC, only one OS is required and it deals with both the baseband and the application processor operations. – chip makers capable of providing one-chips – modem-only, no overhead caused by multimedia functionality defining components and interfaces between them on the system

Translation



Translation



Translation

iPhone Effect Analysis(2/3)

- iPod: Occupies 75% of the global MP3player market just 5 years after its release in 2001
  - This is difficult to explain with the concept of mania → It is because the service and product they provide satisfy the universal needs of the consumers
- Variables
  - Will consumers like iPhone? → We expect that they will, but no matter how much they like it, due to the limitations of their financial means, it will be difficult at the current price unless the lineup is diversified as in the case of the iPod
  - Alternative1: iPhone at the current price will be sold using the strategy of absorbing PMP user base into smartphone user base.
  - Alternative2: Will a low price iPhone (iPod + phone) come out and if so, will it appeal to consumers? → The prototype for low-price iPhone is speculated to be in the form of the iPod with phone function added to it, but considering the characteristics of the communication function, it has to assure input and output of text, so it is unclear whether this prototype would have appeal as a phone. However, it is expected that Apple will not betic expectations. Low-price iPhone may not be in the realm of smartphones (Whether or not OX X will be loaded)

Success Factors for the iPod

- Easy and intuitive UI that covers all user classes including male, female, old and young
- Beautiful design
- Diversified lineup that covers a wide range of prices
- Seamless integration of H/W, S/W and contents using iTunes
- Inexpensive and abundant contents at iTunes

Factors that Could Make iPhone a Success

- Easy and intuitive UI that covers all user classes including male, female, old and young
- Beautiful design
- Seamless integration of H/W, S/W and contents using iTunes
- Inexpensive and abundant contents at iTunes

+

- Equipment that is devoted to usability as a mobile device (phone, internet, PMP)
- OS X which is the most completed GUI operating system current in existence entering its 10th year
- Continuous device maintenance and supplement through SW upgrade using iTunes, etc
- Cooperative relationship with content creators built up through iTunes (sale of contents not a revenue model but to secure contents for selling Devices)

Factors for iPhone Failing

- Informal battery
- Current high price

38

PLAINTIFF'S EXHIBIT NO 36

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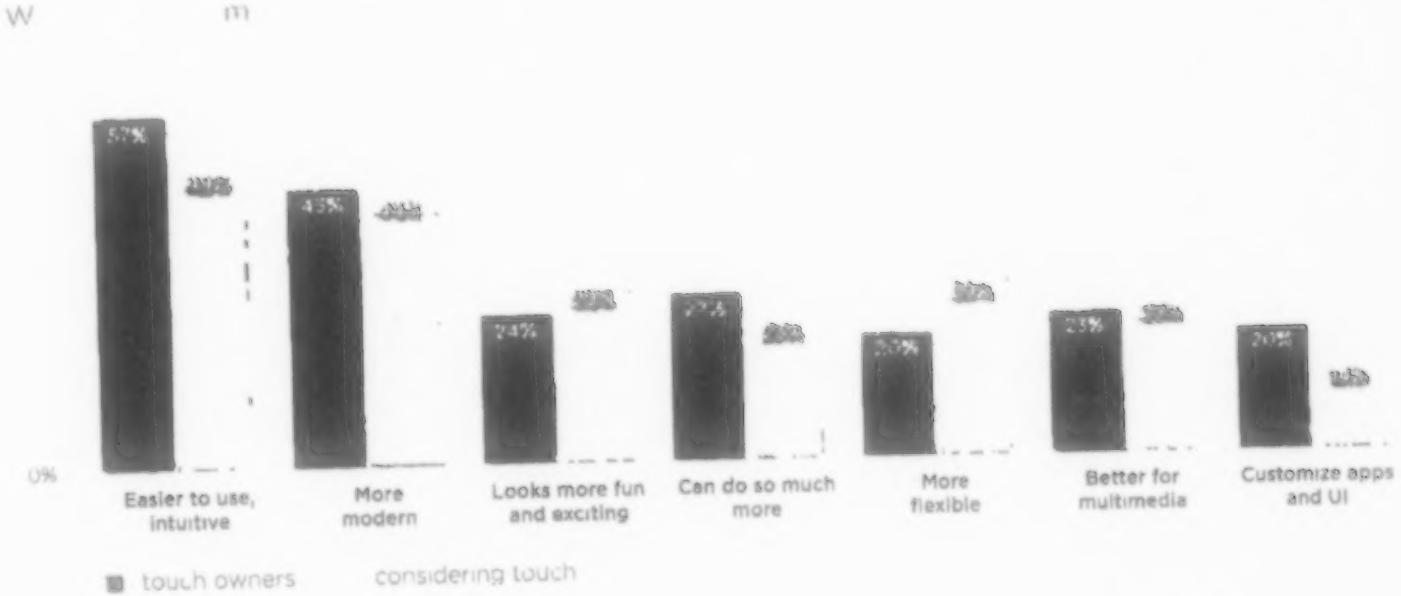
Ease of use is the major driver of their interest in touch



"Touch is more fun, you are living in your era, and it is modern."
Paris

"I think it's the way forward."
London

"It's a different sensation with touch. Moving things around on a screen is more usable, more intelligent."
Paris

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Why touch?

"With touch, I can
on my phone,
."

Controls and capabilities can be mapped to the needs of any content or application.

Versatile Power

Intuitive Control

I can navigate and use a range of new capabilities in a way that is faster and more intuitive than previous input methods.

SAMSDCA00191825

Pundits tell us that the iPhone is a revolution...

Apple Inc.'s iPhone has been the world's most influential smart phone since its debut a year ago, widely hailed for its beauty and functionality. It was a true hand-held computer that raised the bar for all its competitors.

Walter Mossberg, July 8, 2008
Wall Street Journal

Talk about hype. In the last six months, Apple's iPhone has been the subject of 11,000 print articles, and it turns up about 69 million hits on Google. Cultists are camping out in front of Apple stores; bloggers call it the "Jesus phone." As it turns out, much of the hype and some of the criticisms are justified. The iPhone is revolutionary.

Eric Pogue, June 27, 2007
NY times

Now, in the pursuit of an Apple-like contract, every manufacturer is racing to create a phone that consumers will love, instead of one that the carriers approve of.

Fred Vogelstein, 01.09.08
Wired

Much like the Western calendar marks time from before and after Jesus Christ, and how the computer world changed totally by the Macintosh - remembering that Windows is Microsoft's copy of the Mac operating system - I am certain that the mobile telecoms world will count its time in two Eras: The Era B: time Before the iPhone, and the ERA AI: time After the iPhone

Tom Ahonen, May 17, 2008
Communities Dominate Brands

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And so do iPhone users

"It's really weird that **a phone can change your life, but it really has**."
London

"I was playing with it and I thought it was really easy to use and I thought '**this could organize my life** if I get one of these.' And that is basically what I did."
London

"My iPhone is **the most important thing** in my life."
San Francisco

"I have an **emotional relationship** with it."
New York

"Oh, I adore it."
Chicago

Expressions of awe

"Apple was definitely **ahead of the game** with the iPhone. There was nothing out there like that at the time. I was first in line and I had to have it the day it came out."
Chicago

"This thing is **world-changing** in terms of phones."
San Francisco

"It's cool, it's extraordinary. I like the world of tomorrow you can enlarge pictures and move them around—it's **magic**."
Paris

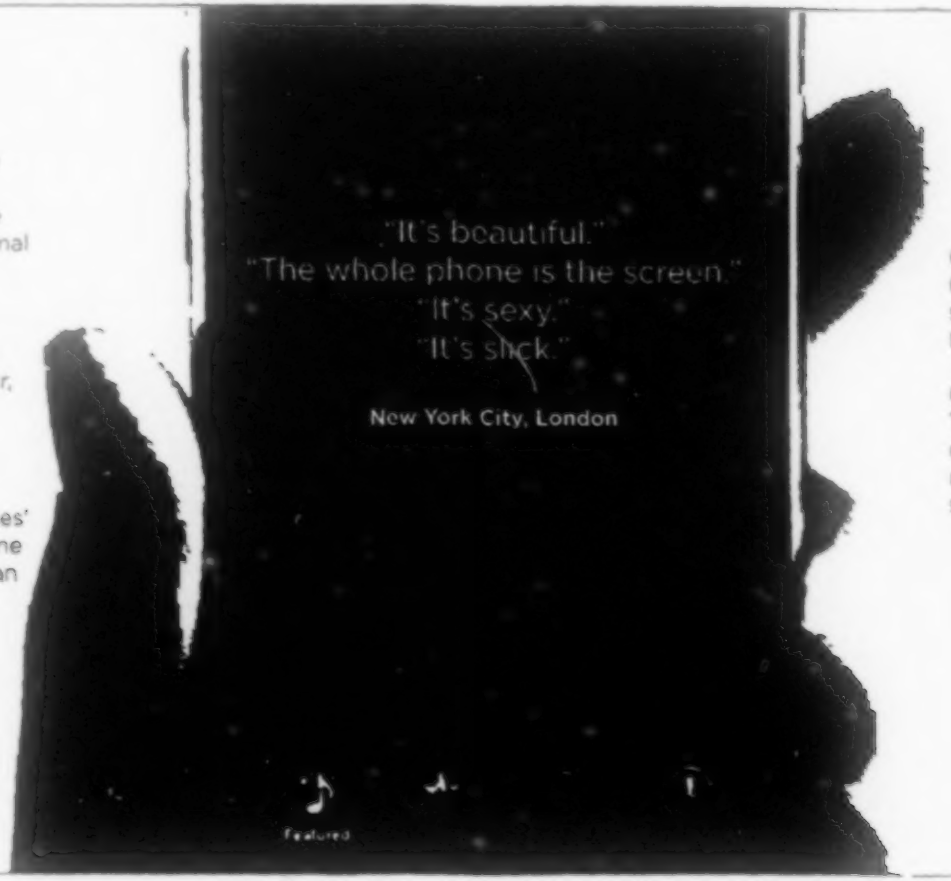
"I first saw my friend playing around with it and I had a go with it, it was like **magic**."
London

Screen-centric design has set the standard for touch

Dimensions of touch design
Touch design is more like TV design—minimal and screen-centric

Few buttons
The iPhone has four buttons home, power, volume, mute

Screen focused
The center screen mounted in the phones' form makes the iPhone look more TV-like than phone-like



Oversized screen
60% of the iPhone's surface is dedicated to the screen

Consistent surface
The surface plane is consistent, with no indentation for the screen

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Plaintiff's Exhibit No. 36.32

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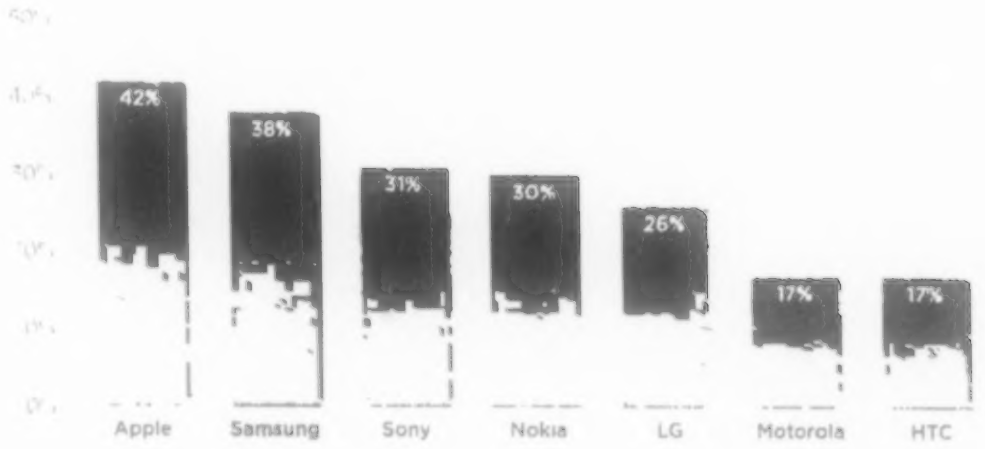
For State of the Art, Apple has overtaken Samsung as the most stylish brand overall



"I think Apple is so successful because they have come out with a unique product [and] you see all other mobile phone providers are trying to copy each other. Apple came out with something different and that's why everyone likes Apple—because it's different."
London

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The iPhone delivers the whole package, but it's not perfect

	PRODUCT LINEUP	DESIGN	USER INTERFACE	FUNCTIONALITY & APPLICATIONS
strengths	One product can serve surprisingly many segments	Sets the standard for screen-centric design Threatens Samsung style leadership amongst State of the Art consumers	Interface is clear and highly intuitive Interface is "sexy to use"	Software apps like maps, browser and image viewer are favorite functionality Large screen and memory enable fully robust multimedia experience
weaknesses		Size and lack of screen protection are consistent design concerns	Consistent frustration around input, especially typing, picture taking and text	Frustrations around imaging as well as limitations of what can be shared

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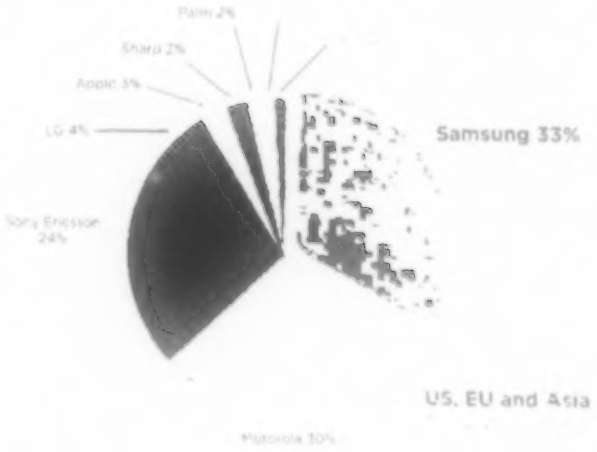
Plaintiff's Exhibit No. 36.54

Samsung touch feedback

Samsung deserves credit for responding to the iPhone

Touch screen mobile phone market share by handset OEM



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Hybrid of TouchWiz and OS compounds IA confusion

Computer or phone?
Many, in an effort to impose an organizational system on the phone, interpret the Windows Mobile page as "the computer homepage" and the TouchWiz homepage as the "phone homepage."

Why are there two paths?
However, even with this distinction, users think the content and navigation possibilities found on each is the same, just two different ways to interact with the phone, which inevitably begs the question, "Why are there two ways?"

TouchWiz is easier
Given this, users orient to the TouchWiz homepage—the icons and the tasks they represent are very clear from this page.

"This page looks like a startup screen on a computer [Windows OS]. This screen looks like a menu screen [Samsung 3x4 menu]. I'm not sure what the difference is between the two."
London

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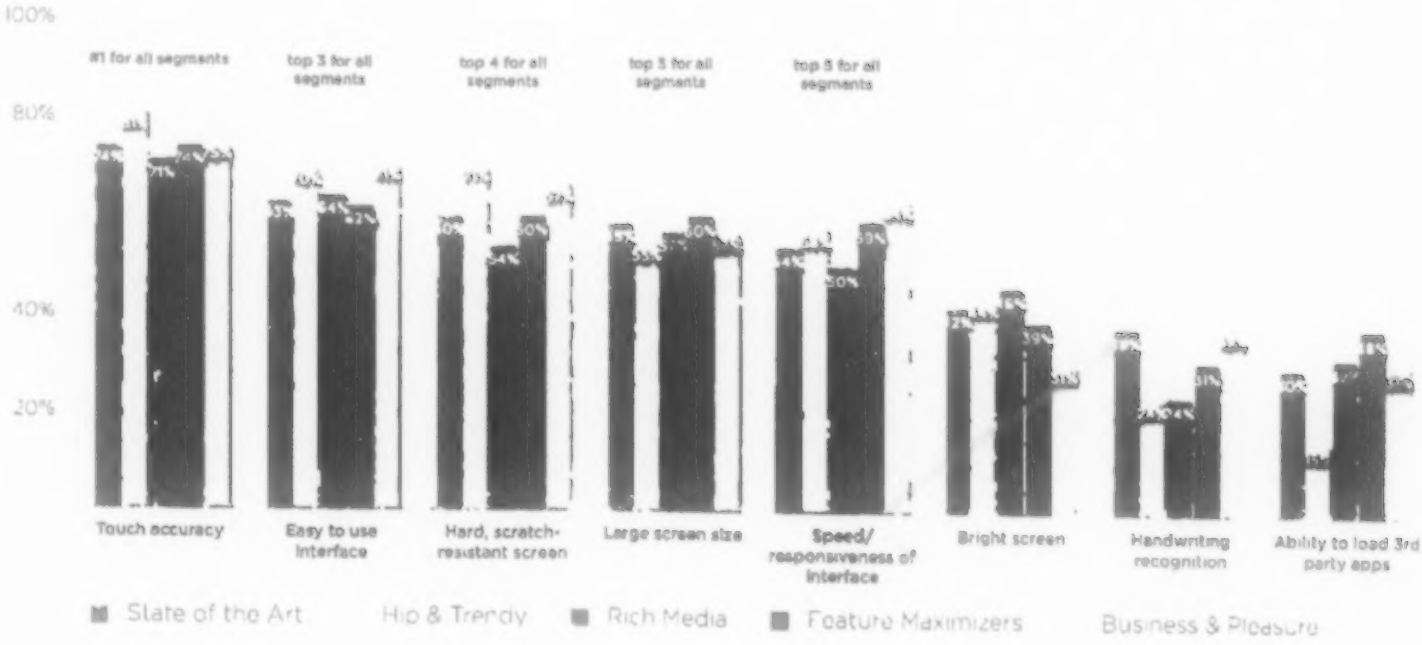
FEATURE SET & INTERFACE PREFERENCES

Users want an accurate, precise, easy to use interface



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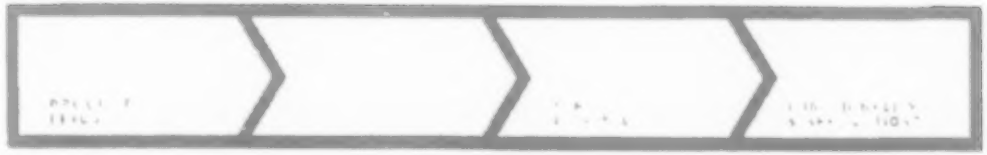
Plaintiff's Exhibit No. 36 118

Key takeaways

CONSUMER SUMMARY



COMMON	Large screen, sufficient capabilities to do broad range of tasks Commonalities between Style/Music segments and Infotainment business segments	Screen-centric design language is key for "touch" One handed use is strong desire Clear concerns around durability and screen protection	Design/style of UX increasingly important An easy to use UI, that is accurate precise and responsive Consistent frustration with input	Want phones that are "mini-computers"-- including hardware, applications and the way they work together No strong preference for a software OS
SEGMENT DIFFERENCES	Emphasis on overall size, basic configuration and input method	Emphasis and importance of design and style by segment	Preferences for hard keys and importance of aesthetic	Weightings on utilitarian capabilities (email, web) versus media (camera, video)
IMPLICATIONS	A diverse hardware line up is needed to satisfy a broad range of consumer preferences.	Touch centric designs but with a willingness to create style diversity and choice	A highly responsive, compelling UI is critical to delivering promise of touch Addressing input deficiency is key user pain point	Functional superiority = specs + apps OS selection is less consumer driven then strategic

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Key takeaways

COMPETITOR SUMMARY

	Highly limited, one product currently, but great operation efficiency	Sets the standard for screen centric design	Easy to use, sexy to use UI is the lynch pin of iPhone's success	Hardware doesn't support full media capabilities, but applications and iTunes integration are excellent	Single platform focus drives operation efficiency	Drives ARPU/subs, but integrated system threatens carrier upside
NOKIA	Limited product line up highlights late entry to touch	Design is utilitarian and not stylish, but some clear synergy across phones	Symbian is solid, but still adapted from more traditional phone design	Improving hardware specs, and adding OVI integration into products	Single platform focus drives operational efficiency	OVI service ecosystem weakens carrier control
SAMSUNG	Wide range of products caters to clear distinctions in consumer form and input preference.	Diverse design, but no consistency across designs and nothing that makes a true statement.	UI basics lack intuitive consistency required to deliver on touch promise	Strong hardware support in many models undermined by lack of value-add in applications and service integration	Multiple platform strategy maximizes operational complexity	Seen as partner that will work with carriers
Implications	Lineup diversity is a clear competitive differentiator, but need platform efficiency	Opportunity to assert style leadership in touch through distinctive offerings with some synergies	Addressing UI improvement is an entry requirement for success in touch.	Critical to drive software/service value add to match competitors in touch environment.	Reduced platforms drive efficiency and optimized experience	Develop business model & app strategy that includes carriers

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PLAINTIFF'S EXHIBIT NO. 40

TRANSLATION

Email from Bong-Hee Kim <mikikim@samsung com>

Date. Wednesday, 2/11/2010 Thursday (23 30)

Title. Fwd. Fwd. Fwd· Summary of Executive-Level Meeting Supervised by Head of Division (February 10).

For your reference

------Original Message------

Sender Eun-Jung Ko <koej@samsung.com> D5(Lead)/ Lead/UX Cluster Part (Mobile)/Samsung Electronics

Date 2010-02-11 16.17 (GMT+09 00)

Title· Fwd Fwd Summary of Executive-Level Meeting Supervised by Head of Division (February 10)

Mobile Communications Division, Samsung Mobile Design Team, UX Design
Eun Jung Ko (Lead)
*Address· Seocho Tower, 12th Floor, Seocho 2-Dong, Seocho-gu, Seoul, Korea
*Tel 02-2255-5401
*Anycall [mobile]· 016-787-2986
*Fax 02-2255-5499
*Email· koej@samsung com

------Original Message------

Sender Eun Jung Ko<koej@samsung com> D5(Lead)/ Lead/UX Cluster Part (Mobile)/Samsung Electronics

Date 2010-02-10 15.42 (GMT+09 00)

Title Fwd Summary of Executive-Level Meeting Supervised by Head of Division (February 10)

I attended the meeting described below There are a few corrections and missing items

- Strive to realize UX that is easy to use regardless of age, occupation, and education, UX that is not like UX, UX that flows like water as its alarm goes off when you wake in the morning, then has the news coming out of it as you get ready to leave for work

=> To this the Senior Vice President said, That's what we're doing, to which Head of Division said, "No, I'm not saying do that for everything,

I'm saying I like it this way, but others may have UXs that they like based on their individuality So, we should be able to accommodate that UX that's not called UX and not like UX I don't mean UX needs to disappear, it's something that is a matter of course, so even if we don't call it UX, if we use it it's as a matter of course "

I wrote it all down without leaving out a single grammatical particle out I get the gist of it but it's convoluted Argh ㅠㅠ

- Screens are our most important asset It is very important that we increase the size of our screen

=> To explain this point more concretely, he talked about the TVs that are in homes as an example Before, everyone used small TVs but nowadays, every house has a large TV Everyone wants to look at a big screen It is the same for mobile phones Once you've come across a touch phone, you desire to view the contents in a larger screen

- A judge speaks through judgments, an engineer speaks through products, and a designer should not need to speak

=> There is a saying that "Judges speak through their judgments " Have you heard that? (Nobody answers) You haven't heard that? Engineers don't need to say, "I implemented this however which way" and don't need to talk about this problem or that They show, with the very product they have developed.

The same goes for designers Whatever else can be said about design language, there is no need for explanations Does not President Choi demand to see the mockup first, before he listens to any explanations?

Designers, for your part, do not speak, show your properly executed design

- I absolutely never demand anything unreasonable of you I never make you do anything that is difficult And I speak in simple terms I never talk in a vague and ambiguous manner, I speak in precise terms Recognize that

- The most important aspect of a design is its level of perfection I hope that you do your best to increase the level of perfection until you have achieved higher quality

- A company goes out of business because of its own success factors Samsung's success factors are diligence, sincerity, and acting in an exemplary manner The kind that says yes to whatever a carrier wants

That's a shortcut to going out of business All the carriers tell me, Hey JK! Your phones have great technological prowess and everything's great But it's hard to sell them as high-end phones

That's because we spent all of our subsidy funds on the iPhone and can't give a penny in subsidy to your phones, so of course your phones will be expensive and then it follows that they won't sell

I hear things like this Let's make something like the iPhone

- When everybody (both consumers and the industry) talk about UX, they weigh it against the iPhone The iPhone has become the standard That's how things are already

Do you know how difficult the Omnia is to use? When you compare the 2007 version of the iPhone with our current Omnia, can you honestly say the Omnia is better? If you compare the UX with the iPhone, it's a difference between Heaven and Earth

- If a shabby UX gets proposed, we put together a task force with Senior Vice President Young Hwan Kim as its leader to stop development Now we're making a process by which if that kind of UX gets proposed, it'll get stopped and Improvements can be made

- He called out the names of the leaders of each section Where is Principal Sung-Sik Lee? (Senior Vice President Jang He went to Suwon) Is he living in Suwon? (Yes, still living there, he took everyone with him and is living there with about forty people) He's suffering, right? I know you guys are suffering Have things gotten much better? (Yes, it's getting better) Good, good, they should Let's muster up more strength

You are the experts I'm not a designer, as you know But in my opinion there are so many designs that depart from common sense Sometimes I've thought I'm looking at a college graduation project I've never

said so because I didn't want to discourage you, but since you're the heads of your sections so I'm saying it I look at things from the perspective of consumers, so I fix things that don't make sense It would be nice if I could look at everything but I can't, so you'll have to do it well yourselves

- For goodness sake let's get things done while working within the realm of common sense When it comes to UX, fix things that make sense first I've always said this, haven't I? A UX that can be used by anyone from six year olds to senior citizens Ease of use is the answer

- I live in Bundang and it only takes me 30 minutes to get here I'll come by here from time to time early in the morning or in the evening for discussions like this Don't you go on business trips, stay here and improve quality Don't even go to MWC Why do we need to go see the Chinese products that are there because no one else shows up? None of you should go

- *** To product designers, he said, you must make three or four design languages a year and put them to good use! The look and feel of a product matters most

To UX designers, he said, you must increase the level of perfection, make products within the realm of common sense and based on ease of use

To everyone, he said you must think at least six months ahead, we must get to where related departments come here for answers

---

Mobile Communications Division, Samsung
Mobile Design Team, UX Design
Eun-Jung Ko (Lead)

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------Original message------

Sender Hye-Sun Kim<sunnykim72@samsung com>. Manager of G5, Wireless Communication Design Group, Samsung

Date 2/10/2010 14 00 (GMT +9 00)

Title Summary of Executive-Level Meeting Supervised by Head of Division (February 10)

‹ Mobile Communications Division Meeting ›

- Time 2010 2 10 (Wednesday) 9 40 ~ 11 00 (1h 20m)
- Place 10F Gold Conference Room, Seocho Worksite
- Attendees Donghoon Chang (Senior Vice President), Chang-Hwan Hwang (Vice President), Min-Hyuk Lee (Principal), Hyeong-seok Jeon (Principal), Soo-Jung Yoon (Principal), Sang-Min Hyun (Principal), YuiSoo Kum (Principal), Yoon-Jung Lee (Principal), Byoung-Chul Hwang (Principal), Nammi Kim (Principal), Jin-Soo Kim (Lead), Eun-Jung Ko (Lead), Ki-Hwan Kwon (Lead), Ji-Yeon Lee (Lead), Jung-Mi Ha (Lead), Dongseok Ryu (Lead), Beom Gu Han (Lead), Sun-Young Lee (Lead), Doo-Rae Kim (Lead), Yin-Gon Park (Lead), Hyun-Sup Kim (Lead), Ja-young Kim (Lead), Hyeon-seop Kim (Lead), Byoung-Joo Kim (Lead), Hee-Woong Choi (Lead), Hye-Sun Kim (Manager) total 28

■ Summary of the Comments of the Head of the Division

- [Our] quality isn't good, perhaps because the designers are chased along by our schedule as they get so many models done Don't you say "not quite" about something that is lacking in completeness and would be an embarrassment to show others? It would be better to not make anything at all than to make it not quite By introducing a product that is not quite, all you do is make things hard for the consumers In all the work you do, do it with the mindset that once it leaves your hands it's final, do your best final product with a high level of completion, having checked and improved it's a final product with a high level of perfection, having checked and improved on it meticulously and in detail numerous times over

Designers rightly should be respected and recognized within [their] organization, and in society outside the organization Work with self-confidence, but there needs to be change in the methods by which you work

I'll be tied up with various strategy meetings and overseas business trips until March but after March it is my intention to set each and every thing right around here It seems like there's an unnecessary increasing of the number of products at product planning The path to improving Quality is to eliminate inefficient models and reduce the number of models overall

Right now we're expecting to do around 350 models the first half of this year If you ask the companies, the Operators we deal with, whether they like that we launch one model right after the another, [the answer is] absolutely not Quantity isn't what's important,

what's important is putting on the market models with a high level of perfection, one to two Excellent ones

We are at the point where we can proudly say we're worthy of being No 2 in the Telecom Industry, and since we are in a position where we are Leading the Industry, what is most important is that we select one Design Language based on "creativity" befitting our status, and apply maximum variation to that one Design Language

Minimize the time Senior Vice President Donghoon Chang and the rest of the designers spend going back and forth from Suwon and the time spent away from Seocho on things like overseas business trips and try to spend long periods of time with subordinates putting your heads together to come up with the best final products

I don't know how many of you are getting ready to go to MWC, but not only are Nokia and many other companies saying they're not going to participate, there's also nothing to see, so don't go

See to it that should anyone come to Seocho, that person gets the feeling that there's something metaphysical, mysterious, and secretive. and see to it that you do not show non-final designs that are in an intermediate stage to this person and that person, and then gather various comments and make corresponding modifications

Designers rightly must make their own designs with conviction and confidence, do not strive to do designs to please me (the president), instead make designs with faces that are creative and diverse

I have confidence in our products' H/W, in their exterior design, and in their quality But when it

comes to the ease of use of our UX, I lack such confidence

Influential figures outside the company come across the iPhone, and they point out that "Samsung is dozing off"

All this time we've been paying all our attention to Nokia, and concentrated our efforts on things like Folder, Bar, Slide, yet when our UX is compared to the unexpected competitor Apple's iPhone, the difference is truly that of Heaven and Earth

It's a crisis of design

The world is changing, and the flow of change isn't something that you can have come back again by going against the flow

Metamorphosis requires energy, we have ample assets in the form of our people, so as long as we are equipped with capability, the world's change will function for us as an advantageous opportunity

All the executives and employees in the Mobile Communications Division are diligent and exemplary that all this time, when Operators made comments about the designs we put before them, we modified and modified again, without missing a single comment That style of business has worked until now, but the iPhone's emergence means the time we have to change our methods has arrived

In regards to exteriors, do your best not to create a plastic feeling and instead create a Metallic feel

As for UX, see to it that it is a UX that is easy to use regardless of age, occupation, and level of education, that it's a UX that's not like a UX, that, just like the flow of water, its alarm rings when you wake in the morning then out comes the news while you're getting

ready to leave for work, see to it that you're able to come up with that kind of UX

Our most important asset is our Screen

It is very important that we make Screen Size bigger, and in the future mobile phones will absorb even the Function of e-books

The concern about being too far ahead is that it can also mean failure, so our designers need to think at least six months ahead, they need enough prior preparation to resolve whatever sales or product planning says about their designs

From now on I'll come to Seocho more often and we will put our heads together

If you have something to report, don't come to Suwon bearing a bag of mockups, just call me anytime

A judge speaks through judgments, an engineer speaks through products, and a designer should not need to speak

That is all

Hyesun Kim (Sunny)

HR Manager

Design Group

Mobile Communications Division

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Certificate of Translation

February 6, 2012

I hereby certify that this Korean to English translation of SAMNDCA10247373 to SAMNDCA 10247378 Is an accurate and complete rendering of the contents of the source document to the best of my knowledge, except for the word "TRANSLATION" at the upper right corner of each translated page I further certify that I translated said document and that I am a competent in both languages with twenty years of professional Korean to English translation experience

By /s/ Peter Mauro Schroepfer

426

PLAINTIFF'S EXHIBIT NO 44

Foundation

Relative Evaluation Report on S1, IPhone

March 2 2010

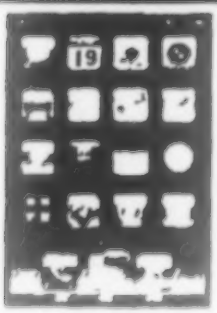
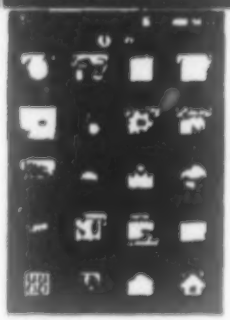
Product Engineering Team
SW Verification Group

Plaintiff's Exhibit No 44 43

Foundation

38. Basic Function _ Calendar

- **The date on the Calendar Icon doesn't change, causing confusion for the users**
  - **i-Phone: Day of the week/date on the Calendar icon is updated daily based on the current date**
  - **S1: The date is fixed on December 7 because it is a Graphic icon**

i-Phone	S1
	
Day of the week/date displayed on the Calendar icon is updated daily based on the current date	**Day of the week/date displayed on the Calendar icon is fixed on December 7**

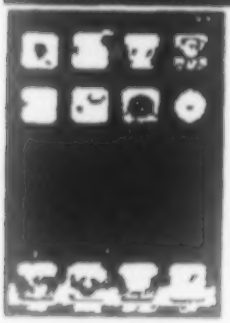
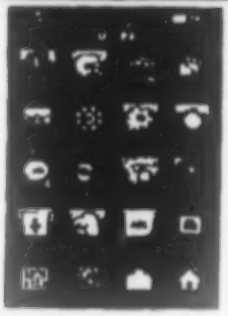
The date displayed on the Calendar Icon should match the current date on the phone

Developers for Improvement

Plaintiff's Exhibit No 44.51

46. Basic Function _ Home Menu

- Lodgibility of the screen page Index icon is low
  - i-Phone: It is easy to recognize the current page because the current page icon color is different
  - S1 Lodgibility of the current page number is low because page index is in identical color

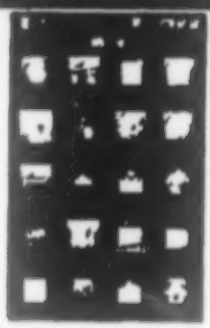
i-Phone	S1
 It is easy to recognize the function of the current page because the color of the icon indicating the current page is different from other page icons.	 1. The color of the page index is the same in white, so it's difficult to recognize the current page 2. It is unnecessary to indicate page numbers

Directions for improvement: Need to change the color of the index icon so the current page is the same is distinguishable and need to reconsider the concept of not displaying the page number

Plaintiff's Exhibit No 44.122

117. Visual Interaction Effect _ Icon

- Poor color arrangement of rectangular frames on the homescreen that form the backgrounds for icons
  - i-Phone: Icons on home screen have high intuitiveness because a background is used only when necessary
  - S1: Many instances where icons have similar background colors even though they do not have similar functions

i-Phone	GT-I9000(S1)
Provides ease of use to users by applying background only when necessary and using icons that intuitively represent their functionalities	 In many instances unrelated functions have similar background colors, failing to provide uniformity and often causing confusion as to even their functions Feels awkward since all icons have frames on the background

Directions for improvement: Either change the colors of bordering rectangular frames according to a consistent pattern for a uniform feel, or remove the rectangular frame and use the icons only for a clean and uniform feel

Plaintiff's Exhibit No 44 127

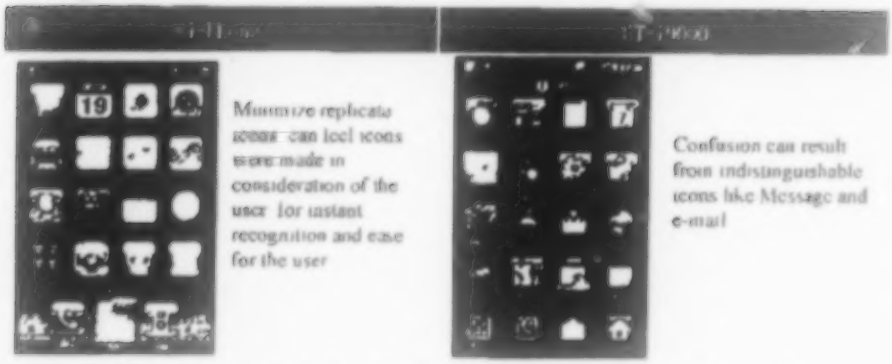
Translation

Confidential

122. Visual Interaction Effect _ Icon

❑ Usage of indistinguishable icons for different functions makes for difficult differentiation

- i-Phone: Instant recognizability due to highly intuitive icon usage
- SI: Difficult differentiation due to icons that are duplicative or are intuitively deficient



Plaintiff's Exhibit No 44 131

Translation

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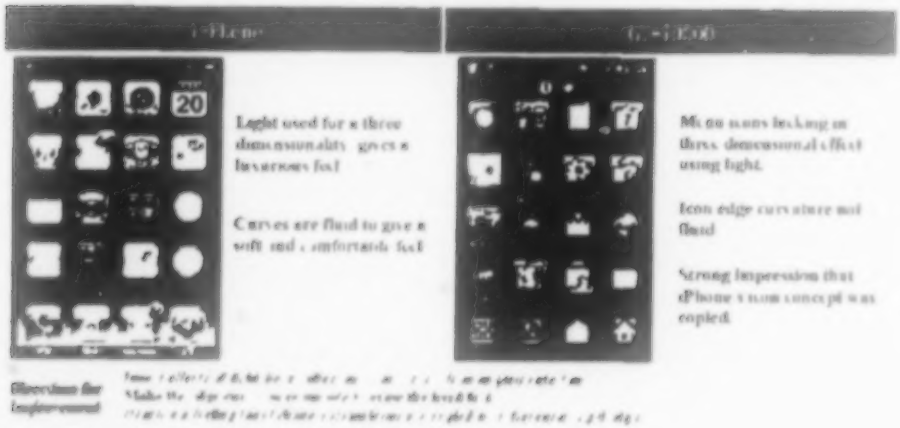
126. Visual Interaction Effect _ Icon

❑ Graphical UI of the menu icons are monotonous

- i-Phone: It maximizes a 3 dimensional effect utilizing light and the curve of icon frames is smooth
- SI: There is no feeling of receiving light and delicate feeling of softness in the curvatures of icon corners



PLAINTIFF'S EXHIBIT NO 52

Samsung's Use of Apple Patents in Smartphones

Key issues

- Samsung is a key Apple partner
- The Android software platform makes extensive use of Apple intellectual property without Apple's permission
  - Android is designed to lead companies to imitate the iPhone product design and strategy
- Samsung's choice to use Android without a license undermines Samsung's greater relationship with Apple

Apple Patents

- Large worldwide patent portfolio on computing technology
  - Over 3500 US patents
  - Worldwide coverage for many key patents
- Tracks Apple's 35 years of leadership in personal and mobile computing and communications
- Definitive patent portfolio for industry –
  - Modern computing and consumer electronics hardware
  - Internet architecture and services
  - Modern software - OS, applications, and user interface

Apple Patents General Computing

- Apple patents broadly cover general computing technologies used in all modern computing devices and consumer electronics
  - Core processor technologies
  - High speed internal buses and peripheral device buses
  - Graphics processors
  - Networking and communications
  - Power management
  - Mechanical and input technologies

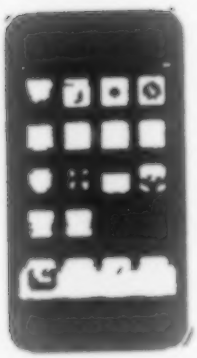
Apple Patents Internet architecture and services

- Apple patents are essential to modern Internet-enabled devices and services
  - Dynamic web page generation
  - Persistent objects in a web page
  - Object/ relational database mapping
  - Location based services
  - Mobile computer IP address assignment
  - Media and application store services
  - Multimedia format and delivery

Apple Patents Software

- Apple has definitive patents on modern operating systems and applications architecture
  - Operating systems and basic software architecture
  - Graphics
  - User Interface
  - Multimedia processing
  - Networking and communication
  - Object oriented software
  - Development technologies

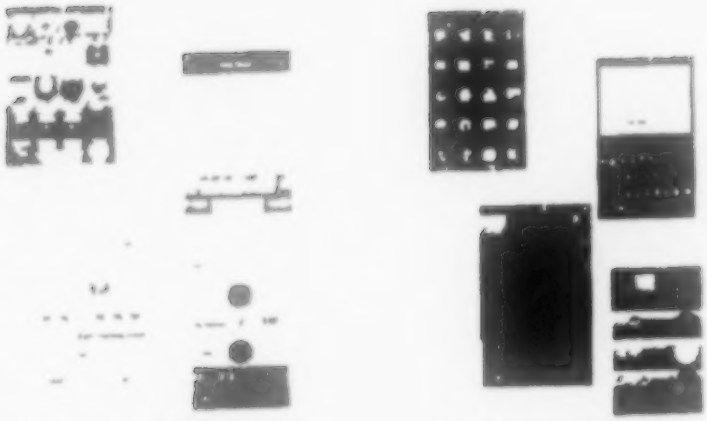
Samsung Copying iPhone



Apple iPhone 4

Samsung Galaxy S

Samsung Copying iPhone



Android Phones

2011 Wireless Smartphone Satisfaction Study℠

Management Report

March 2011

Telecommunications Department

EXHIBIT 594
Danner
2-22-12 JN

PLAINTIFF'S EXHIBIT NO. 69

Executive Summary

- ✓ Among owners who may purchase a new smartphone within the next 6 months, 33% consider themselves likely to purchase an iPhone model, and an additional 27% will likely purchase an HTC model. An additional 10% of shoppers indicate they are likely to purchase a Samsung or Motorola model, while 7% say they likely will choose a BlackBerry model.
- ✓ Nearly half (45%) of smartphone owners indicate they chose their model because they liked its overall design and style and 43% chose their device because it featured a touch screen for easy navigation. Simple operation is important, as 36% of owners report having chosen their handset because it is "generally easy to use."

About one-third of smartphone owners indicate a propensity to purchase a new phone within the next 6 months. Palm and RIM BlackBerry owners have the highest likelihood of buying a new handset in the near future and therefore represent a target market for acquisition (46% and 44%, respectively). The majority of smartphone owners indicate a likelihood to repurchase their current brand—18% say they "definitely will" and 46% say they "probably will" repurchase from their current handset manufacturer. More than one-third (37%) of Apple owners say they "definitely will" repurchase the same brand, compared to just 5% of Nokia owners. It is worth noting, however, that Apple owners are currently less likely to indicate they "definitely will" repurchase than they were 6 months ago (37% vs. 41%, respectively).

Usage and spending levels are much higher among smartphone owners than among traditional mobile phone users. Smartphone owners report using 622 minutes per month, on average. HTC smartphone owners in particular report using 707 minutes per month. Increased costs are associated with high usage levels such as this. The average monthly expenditure for smartphone wireless service is $107, an increase of $7 from 2010 Vol. 2. Motorola owners spend $8 more per month than industry average ($115 vs. $107).

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Features Desired on Future Smartphone[1]

Features Desired on Future Smartphone	2011 Vol
Memory expansion	19%
Push-to-talk	18%
Touch screen	16%
Voice recognition/command/dialing	11%
Mobile radio capability	11%
Photo speed dial	10%
International roaming capabilities	10%
Global Positioning System (GPS)	10%
Downloadable programs	9%
Wi-Fi capabilities	9%
Capture/Record video with device	9%
QWERTY Keyboard	9%
Stream music/video	7%
View and pay bills from phone	6%
Games	6%
Download/View video clips	5%
MMS/Picture messaging	5%
Listen to music/MP3 player	5%
Download MP3/music files	5%
Ability to send and receive e-mail on multiple accounts	5%
Integrated application store	5%

[1] Responses less than 5% not shown

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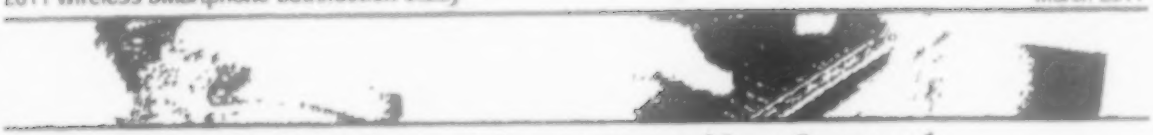
437
Plaintiff's Exhibit No. 69 30



Features Desired By Current Smartphone Manufacturer[1]

Features Desired on Future Handset	Apple	HTC	Motorola	Nokia	Palm	RIM/ BlackBerry	Samsung	Industry Average
Memory expansion	37%	7%	11%	7%	26%	7%	6%	19%
Push-to-talk	16%	20%	32%	7%	15%	12%	17%	16%
Touch screen	1%	4%	5%	21%	1%	42%	10%	16%
Voice recognition/command/dialing	15%	6%	6%	9%	33%	5%	12%	11%
Mobile radio capability	9%	11%	11%	12%	14%	11%	11%	11%
Photo speed dial	11%	10%	11%	9%	13%	8%	13%	10%
International roaming capabilities	7%	16%	21%	6%	12%	8%	12%	10%
Global Positioning System (GPS)	7%	6%	3%	9%	18%	13%	13%	10%
Downloadable programs	14%	9%	10%	8%	6%	6%	6%	9%
Wi-Fi capabilities	2%	4%	6%	12%	20%	18%	13%	9%
Capture/Record video with device	19%	2%	3%	3%	3%	5%	4%	9%
QWERTY Keyboard	8%	21%	7%	10%	4%	6%	10%	8%
Stream music/video	5%	7%	4%	9%	5%	8%	7%	7%
View and pay bills from phone	3%	7%	5%	2%	12%	8%	10%	6%
Games	4%	8%	14%	4%	10%	3%	6%	6%
Download/View video clips	2%	4%	2%	6%	6%	9%	6%	5%
MMS/Picture messaging	6%	4%	4%	7%	4%	5%	5%	5%
Listen to music/MP3 player	1%	3%	2%	12%	11%	8%	9%	5%
Download MP3/music files	3%	5%	2%	7%	5%	6%	9%	5%
Ability to send and receive e-mail on multiple accounts	4%	5%	3%	7%	7%	5%	5%	5%
Integrated application store	2%	8%	1%	4%	9%	4%	11%	5%

[1] Responses less than 5% for the industry average not shown

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Question Topics Used to Determine Factors

Ease of Operation (26%)

- Quality of sound when on a call (16%)
- Ease of pressing/activating keypad/keyboard buttons (15%)
- Ease of navigating phone using touch screen, toggle/navigation wheel (15%)
- Ability to adjust volume to suit needs (14%)
- Ease of navigating around phone menu system (14%)
- Ease of using basic calling features (13%)
- Ease of using text messaging (13%)

Operating System (24%)

- Reliability/stability of smartphone operating system (33%)
- Speed of mobile Internet (20%)
- Amount of time it takes to move between applications (19%)
- Timeliness of syncing (16%)
- Amount of time it takes to attach/transfer files (12%)

Physical Design (23%)

- Visual appeal of your wireless phone (22%)
- Size of display screen (20%)
- Brightness of background display screen lighting (20%)
- Weight of wireless phone (including battery) (19%)
- Size of wireless phone (19%)

Features (19%)

- Usefulness of applications available on phone (26%)
- Ability to download additional applications (21%)
- Availability of multimedia functions (20%)
- Quality of camera pictures and videos (17%)
- Variety of ring tones supported (16%)

[redacted]

[redacted]

- Amount of battery life before it needs recharging (53%)
- Length of time needed to recharge battery (28%)
- Ease of replacing batteries (19%)

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Purchasing Selection Process

Main reasons for choosing the smartphone manufacturer include *Liked overall design or style* (45%), *Internet capability* (44%), and *Touch screen* (43%). The reasons for selecting a particular smartphone brand differ from the reasons for selecting a traditional handset, as smartphone users are less likely to select their handset for price-related reasons. The reasons for selecting a smartphone manufacturer frequently pertain to an available communication feature or technology. For example, 36% selected their manufacturer because of its ability to use e-mail accounts. Another common trend among smartphone users is selecting their phones based on the ease of operating said features and technologies. An additional 36% of smartphone users select their phones because the smartphone is *Generally easy to use*, 35% select their phones for *Wi-Fi capabilities*, and 35% reported that their selection was based on the *Quality of the phone*.

Satisfaction with the handset is highest when it is chosen for reasons pertaining to quality. Those having chosen their smartphone for these reasons rate their model a score of 804, while those that indicate their model was selected as a result of the price rate their device a score of 749.

The correlation between satisfaction and repurchase rates still remains the same evidenced by Apple owners indicating they "Definitely will" repurchase their current brand at a rate of 37% compared with 18% for the industry average. Just 2% of Apple users indicate they "Definitely will not" repurchase their current brand of smartphone. HTC owners indicate that they "Probably will" repurchase at a rate of 53%; however, these users are not as likely to fully commit and say they "Definitely will" repurchase. This implies there is a certain level of loyalty, although HTC owners will consider their options when it is time for them to purchase a new handset.

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Selection Process Among Smartphone Manufacturers[1,2]

Reasons for Selecting Handset	Industry Avg	Apple	HTC	Motorola	Nokia	Palm	RIM BlackBerry	Samsung
Liked overall design/style	45%	51%	49%	50%	34%	42%	38%	43%
Internet capable	44%	48%	51%	57%	18%	37%	37%	39%
Touch screen	43%	58%	61%	58%	16%	56%	11%	52%
Ability to use e-mail accounts	36%	40%	39%	50%	14%	28%	33%	28%
Generally easy to use	36%	45%	32%	35%	26%	33%	31%	30%
Wi-Fi capabilities	35%	50%	42%	43%	13%	27%	18%	25%
Quality of phone/best one	35%	49%	36%	33%	23%	18%	25%	23%
Quality of display screen	34%	41%	40%	45%	17%	28%	22%	32%
Digital camera feature	33%	34%	37%	44%	27%	32%	25%	34%
GPS/Location feature	32%	40%	40%	50%	16%	25%	19%	27%
Ease of using Internet features	32%	44%	33%	40%	11%	26%	21%	21%
Ease of using e-mail features	31%	40%	27%	38%	10%	24%	28%	20%

[1] Reasons less than 31% not shown
[2] Based to all lengths of handset ownership

Selection Process Among Tenured < 12 Months[1]

	Industry Avg	Apple	HTC	Motorola	Nokia	Palm	RIM BlackBerry	Samsung
Liked overall design/style	47%	51%	50%	50%	36%	49%	38%	43%
Touch screen	46%	56%	62%	59%	26%	54%	8%	54%
Internet capable	44%	44%	52%	56%	23%	44%	34%	43%
Wi-Fi capabilities	38%	48%	44%	44%	13%	38%	24%	32%
Quality of display screen	37%	43%	43%	46%	18%	35%	22%	38%
Ability to use e-mail accounts	36%	36%	39%	50%	16%	37%	31%	32%
Generally easy to use	36%	44%	32%	35%	29%	33%	31%	34%
Quality of phone/best one	35%	49%	30%	32%	15%	17%	26%	30%
Digital camera feature	35%	35%	40%	44%	26%	39%	26%	36%
GPS/Location feature	35%	38%	43%	50%	21%	32%	19%	31%
Ease of using Internet features	32%	40%	34%	40%	13%	34%	23%	26%
Latest technology	31%	39%	38%	40%	10%	27%	14%	28%
Ease of using e-mail features	31%	37%	30%	39%	7%	29%	26%	25%
Plays music/MP3 files	31%	38%	31%	34%	10%	28%	19%	32%

[1] Reasons less than 36% not shown

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http //www nytimes com/2007/01/11/technology/11pogue html?pagewanted 3/20/2012

The New York Times
nytimes com

January 11, 2007

STATE OF THE ART

Apple Waves Its Wand at the Phone

By DAVID POGUE

SAN FRANCISCO

Remember the fairy godmother in "Cinderella"? She'd wave her wand and turn some homely and utilitarian object, like a pumpkin or a mouse, into something glamorous and amazing, like a carriage or fully accessorized coachman

Evidently, she lives in some back room at Apple

Every time Steve Jobs spies some hopelessly ugly, complex machine that cries out for the Apple touch—computers, say, or music players—he lets her out

At the annual Macworld Expo in San Francisco, Mr Jobs demonstrated the latest result of godmother wand-waving He granted the wishes of millions of Apple followers and rumormongers by turning the ordinary cellphone into the iPhone

At the moment, the iPhone is in an advanced prototype stage, which I was allowed to play with for only an hour, the finished product won't be available in the United States until June, or in Europe until the fourth quarter So this column is a preview, not a review

Already, though, one thing is clear the name iPhone may be doing Apple a disservice This machine is so packed with possibilities that the cellphone may actually be the least interesting part

As Mr Jobs pointed out in his keynote presentation, the iPhone is at least three products merged into one a phone, a wide-screen iPod and a wireless, touch-screen Internet communicator. That helps to explain its price $499 or $599 (with four or eight gigabytes of storage)

As you'd expect of Apple, the iPhone is gorgeous Its face is shiny black, rimmed by mirror-finish stainless steel The back is textured aluminum, interrupted only by the lens of a twomegapixel camera and a mirrored Apple logo The phone is slightly taller and wider than a Palm Treo, but much thinner (4 5 by 2 4 by 0 46 inches)

You won't complain about too many buttons on this phone, it comes very close to having none at all The front is dominated by a touch screen (320 by 480 pixels) operated by finger alone The only physical buttons, in fact, are volume up/down, ringer on/off (hurrah!), sleep/wake and, beneath the screen, a Home button

The iPhone's beauty alone would be enough to prompt certain members of the iPod cult to dig for their credit cards But its Mac OS X-based software makes it not so much a smartphone as something out of "Minority Report "

Take the iPod features, for example As on any iPod, scrolling through lists of songs and albums is a blast—but there's no scroll wheel Instead, you flick your finger on the glass to send the list scrolling freely, according to the speed of your flick The scrolling spins

slowly to a stop, as though by its own inertia The effect is both spectacular and practical, because as the scrolling slows, you can see where you are before flicking again if necessary

The same flicking lets you flip through photos or album covers as though they're on a 3-D rack All of this—photos, music collection, address book, podcasts. videos and so on—are synched to the iPhone from Apple's iTunes software running on a Mac or Windows PC, courtesy of the charging/synching dock that is included

Movies are especially satisfying on this iPod That's partly because of the wide-screen orientation, and partly because the screen is so much bigger (3 5 inches) and sharper (160 pixels per inch) than those on other iPods

The iPhone can get onto the Internet in two ways using Wi-Fi, at least when you're in the presence of a wireless hot spot, or using Cingular's disappointingly slow Edge network

That's right the iPhone's exclusive carrier will be Cingular (Nor is the phone "unlocked", you can't use it with any other carrier) At least it's a quad-band G S M phone, so it will work overseas

You can also conduct text-message conversations that appear as a continuous chat thread And like any smartphone, the iPhone can download e-mail from standard accounts at regular intervals In fact, Yahoo will offer free "push" e-mail—that is, messages will arrive on the iPhone in real time, just as on a corporate BlackBerry

The iPhone is not, however, a BlackBerry killer The absence of a physical keyboard makes it versatile, but also makes typing tedious

Instead of raised alphabet keys, you get virtual keys on the screen They're fairly small, and of course you can't feel them So typing is slow going, especially for the fat of finger

Fortunately, you don't have to be especially precise Even if you hit the wrong "keys" accidentally, the super-smart software considers adjacent keys—and corrects your typos automatically If what you actually managed to type is "wrclme," the software proposes "welcome " You tap the Space bar to accept the fix It works beautifully

The real magic, however, awaits when you browse the Web You get to see the entire Web page on the iPhone's screen, although with tiny type To enlarge it, you can double-tap any spot, then you drag your finger to scroll in any direction

Alternatively, you can use a brand-new feature that Apple calls multitouch you slide your thumb and forefinger together (like pinching) or apart on the glass As you do so, the Web page before you grows or shrinks in real time, as though it's printed on a sheet of latex It works with photos, too, and it's wicked cool

All of this is cooked up with Apple's traditional secret sauce of simplicity, intelligence and whimsy It's these ingredients, not the features themselves, that inspire such technolust in Applephiles

For example, voice mail messages appear in a list, like an e-mail in-box, you can listen to them in any order A proximity sensor turns off the touch screen when the phone is up to your ear, saving power and

avoiding accidental touches The screen image rotates when you turn the phone to see, for example, a landscape-orientation photo A light sensor brightens the screen in bright light Finger smudges and streaks are inevitable, but are visible only when the screen is turned off (They disappear with a wipe on your sleeve)

The speaker is on the bottom edge, rather than the back, where it would be muffled when the phone is set down The optional tiny Bluetooth wireless earpiece has its own little charging hole in the iPhone's charging/synching dock—and it snaps in magnetically for convenience Apple says that this earpiece "pairs" with the iPhone automatically, sparing you the usual ritual of pressing buttons in a baffling sequence

Nonetheless, the iPhone won't be the smartphone for everybody You may well consider the Cingular exclusivity or the price a deal-breaker You may also be disappointed that the iPhone can't open Microsoft Office documents, as the Treo can (although Apple says it can open PDF documents), or wonder why it's not a 3G cellphone that can exploit higher-speed, next-generation cellular towers as they arrive in the coming years And you may worry about putting all your digital eggs into one losable, droppable, glass-front basket

Note, too, that the software is still unfinished, and many questions are still unanswered Will you be able to turn your own songs into ring tones? Will there be a voice recorder? Will the camera record video? Can you use Skype to make free Internet calls? Will the battery really last for five hours of talking, video and Web browsing (or 16 hours of audio playback)? Will you someday be able to buy songs and videos from the iTunes Store right on the phone?

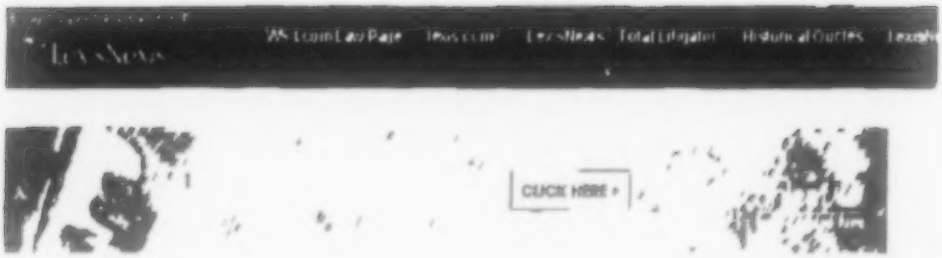
At this point, Apple doesn't yet have the answers, or isn't revealing them

What it does have, however, is a real shot at redefining the cellphone How many millions of people are, at this moment, carrying around both an iPod and a cellphone? How many would love to carry a single combo device that imposes no feature or design penalties? Considering that the cellphone is many people's most personal gadget, how many would leap at the chance to replace their current awkward models with something with the class, the looks and the effortlessness of an iPod?

Apple has done its part it has packed more features into less space, and with more elegance, than anyone before it The rest is up to the godmother

E-mail Pogue@nytimes com

http //www nytimes com/2007/01/11/technology/11pog ue html?pagewanted 3/20/2012



We Spend Two Weeks Using Apple's Much-Anticipated Device To See if It Lives Up to the Hype, In Search of the Comma Key

By WALTER S MOSSBERG and KATHERINE BOEHRET

One of the most important trends in personal technology over the past few years has been the evolution of the humble cellphone into a true handheld computer, a device able to replicate many of the key functions of a laptop But most of these "smart phones" have had lousy software, confusing user interfaces and clumsy music, video and photo playback And their designers have struggled to balance screen size, keyboard usability and battery life

Now, Apple Inc , AAPL -0.34% whose digital products are hailed for their design and innovation, is jumping into this smart-phone market with the iPhone, which goes on sale in a few days after months of the most frenzied hype and speculation we have ever seen for a single technology product Even though the phone's minimum price is a hefty $499, people are

already lining up outside Apple stores to be among the first to snag one when they go on sale Friday evening

We have been testing the iPhone for two weeks, in multiple usage scenarios, in cities across the country Our verdict is that, despite some flaws and feature omissions, the iPhone is, on balance, a beautiful and breakthrough handheld computer Its software, especially, sets a new bar for the smart-phone industry, and its clever finger-touch interface, which dispenses with a stylus and most buttons, works well, though it sometimes adds steps to common functions

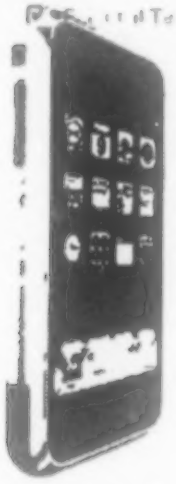
The Apple phone combines intelligent voice calling, and a full-blown iPod, with a beautiful new interface for music and video playback It offers the best Web browser we have seen on a smart phone, and robust email software. And it synchronizes easily and well with both Windows and Macintosh computers using Apple's iTunes software

It has the largest and highest-resolution screen of any smart phone we've seen, and the most internal memory by far Yet it is one of the thinnest smart phones available and offers impressive battery life, better than its key competitors claim.

It feels solid and comfortable in the hand and the way it displays photos, videos and Web pages on its gorgeous screen makes other smart phones look primitive

The iPhone's most controversial feature, the omission of a physical keyboard in favor of a virtual keyboard on the screen, turned out in our tests to be a nonissue, despite our deep initial skepticism After five days of use, Walt—who did most of the testing for this review—was able to type on it as quickly and accurately as he could on the Palm Treo he has used

for years This was partly because of smart software that corrects typing errors on the fly

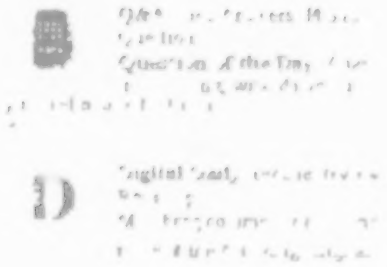


But the iPhone has a major drawback the cellphone network it uses It only works with AT&T (formerly Cingular), won't come in models that use Verizon or Sprint and can't use the digital cards (called SIM cards) that would allow it to run on T-Mobile's network So, the phone can be a poor choice unless you are in areas where AT&T's coverage is good. It does work overseas, but only via an AT&T roaming plan

In addition, even when you have great AT&T coverage, the iPhone can't run on AT&T's fastest cellular data network Instead, it uses a pokey network called EDGE, which is far slower than the fastest networks from Verizon or Sprint that power many other smart phones And the initial iPhone model cannot be upgraded to use the faster networks

The iPhone compensates by being one of the few smart phones that can also use Wi-Fi wireless networks When you have access to Wi-Fi, the iPhone

flies on the Web Not only that, but the iPhone automatically switches from EDGE to known Wi-Fi networks when it finds them, and pops up a list of new Wi-Fi networks it encounters as you move Walt was able to log onto paid Wi-Fi networks at Starbucks and airports, and even used a free Wi- Fi network at Fenway Park in Boston to email pictures taken during a Red Sox game



But this Wi-Fi capability doesn't fully make up for the lack of a fast cellular data capability, because it is impractical to keep joining and dropping short-range Wi-Fi networks while taking a long walk, or riding in a cab through a city.

AT&T is offering special monthly calling plans for the iPhone, all of which include unlimited Internet and email usage They range from $60 to $220, depending on the number of voice minutes included In an unusual twist, iPhone buyers won't choose their plans and activate their phones in the store Instead, they will do so when they first connect the iPhone to the iTunes software

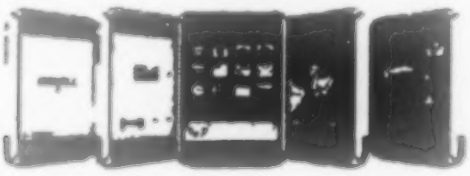
Despite its simple interface, with just four rows of colorful icons on a black background, the iPhone has too many features and functions to detail completely in this space But here's a rundown of the key features, with pros and cons based on our testing.

Hardware The iPhone is simply beautiful It is thinner than the skinny Samsung BlackJack, yet almost its entire surface is covered by a huge, vivid 3 5-inch display There's no physical keyboard, just a single button that takes you to the home screen The phone is about as long as the Treo 700, the BlackBerry 8800 or the BlackJack, but it's slightly wider than the BlackJack or Treo, and heavier than the BlackBerry and BlackJack

The display is made of a sturdy glass, not plastic, and while it did pick up smudges, it didn't acquire a single scratch, even though it was tossed into Walt's pocket or briefcase, or Katie's purse, without any protective case or holster No scratches appeared on the rest of the body either

There are only three buttons along the edges On the top, there's one that puts the phone to sleep and wakes it up And, on the left edge, there's a volume control and a mute switch.

One downside Some accessories for iPods may not work properly on the iPhone The headphone jack, which supports both stereo music and phone calls, is deeply recessed, so you may need an adapter for existing headphones And, while the iPhone

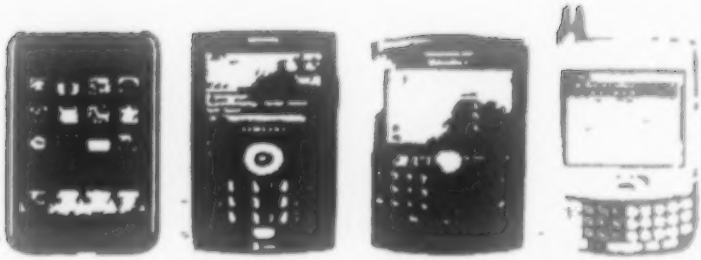


uses the standard iPod port on the bottom edge, it doesn't recognize all car adapters for playing music,

only for charging Apple is considering a software update to fix this

Touch-screen interface To go through long lists of emails, contacts, or songs, you just "flick" with your finger To select items, you tap To enlarge photos, you "pinch" them by placing two fingers on their corners and dragging them in or out To zoom in on portions of Web pages, you double- tap with your fingers You cannot use a stylus for any of this In the Web browser and photo program, if you turn the phone from a vertical to a horizontal position, the image on the screen turns as well and resizes itself to fit

In general, we found this interface, called "multi-touch," to be effective, practical and fun But there's no overall search on the iPhone (except Web searching), and no quick way to move to the top or bottom of pages (except in the Web browser) The only aid is an alphabetical scale on the right in tiny type.



	IPhone	Samsung BlackJack	BlackBerry 8800	Treo 700p
	[illegible]	[illegible]	$299	[illegible]
Weight	4.8 oz.	[illegible]	4.7 oz	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	Talk Time: 8 Standby: 250 Internet Use: 6 Video Playback: 7 Audio playback: 24	Talk time: 5.5 Standby: 264	Talk time: 5 Standby: 528	Talk time: 4.5 Standby: 300
[illegible]	[illegible]	2.2	2.5"	[illegible]
[illegible]	[illegible]	320 x 240	320 x 240	[illegible]
[illegible]	[illegible]	64 megabytes	64 megabytes	128 megabytes
[illegible]		MicroSD	MicroSD	[illegible]
[illegible]	[illegible]	[illegible]	–	1.3 Megapixel
Network	EDGE or Wi-Fi	HSDPA	EDGE	EVDO
Keyboard	Virtual	Physical	Physical	Physical
[illegible]	[illegible]	Windows Mobile	BlackBerry	Palm
[illegible]	[illegible]	AT&T	AT&T and T-Mobile	Sprint and Verizon Wireless

There's also no way to cut, copy, or paste text

And the lack of dedicated hardware buttons for functions like phone, email and contacts means extra taps are needed to start using features Also, if you are playing music while doing something else, the lack of hardware playback buttons forces you to return to the iPod program to stop the music or change a song

Keyboard· The virtual keys are large and get larger as you touch them Software tries to guess what you're typing, and fix errors Overall, it works But the error-correction system didn't seem as clever as the one on the BlackBerry, and you have to switch to a different

keyboard view to insert a period or comma, which is annoying

Web browsing The iPhone is the first smart phone we've tested with a real, computer-grade Web browser, a version of Apple's Safari It displays entire Web pages, in their real layouts, and allows you to zoom in quickly by either tapping or pinching with your finger Multiple pages can be open at the same time, and you can conduct Google or Yahoo searches from a built-in search box

Email The iPhone can connect with most popular consumer email services, including Yahoo, Gmail, AOL, EarthLink and others It can also handle corporate email using Microsoft's Exchange system, if your IT department cooperates by enabling a setting on the server

BlackBerry email services can't be used on an iPhone, but Yahoo Mail supplies free BlackBerry-style "push" email to iPhone users In our test, this worked fine

Unlike most phone email software, the iPhone's shows a preview of each message, so you don't have to open it And, if there is a photo attached, it shows the photo automatically, without requiring you to click on a link to see it. It can also receive and open Microsoft Word and Excel documents and Adobe PDF files But it doesn't allow you to edit or save these files

Memory The $499 base model comes with four gigabytes of memory, and the $599 model has eight gigabytes That's far more than on any other smart phone, but much less than on full-size iPods Also, there's no slot for memory-expansion cards Our test $599 model held 1,325 songs; a dozen videos (including a full-length movie), over 100 photos, and over 100

emails, including some attachments, and still had room left over

Battery life Like the iPod, but unlike most cellphones, the iPhone lacks a removable battery So you can't carry a spare But its battery life is excellent In our tests, it got seven hours and 18 minutes of continuous talk time, while the Wi- Fi was on and email was constantly being fetched in the background. That's close to Apple's claim of a maximum of eight hours, and far exceeds the talk time claims of other smart phones, which usually top out at five and a half hours

The interface features "cover flow" technology for flipping through album covers

For continuous music playback, again with Wi-Fi on and email being fetched, we got over 22 hours, shy of Apple's claim of up to 24 hours, but still huge For video playback, under the same conditions, we got just under Apple's claim of seven hours, enough to watch four average-length movies And, for Web browsing and other Internet functions, including sending and receiving emails, viewing Google maps and YouTube videos, we got over nine hours, well above Apple's claim of up to six hours

In real life, of course, you will do a mix of these things, so the best gauge might be that, in our two-

week test, the iPhone generally lasted all day with a typical mix of tasks

Phone calls The phone interface is clean and simple, but takes more taps to reach than on many other smart phones, because there are no dedicated hardware phone buttons You also cannot just start typing a name or number, but must scroll through a list of favorites, through your recent call list, or your entire contact list. You can also use a virtual keypad

One great phone feature is called "visual voice mail " It shows you the names or at least the phone numbers of people who have left you voicemail, so you can quickly listen to those you want It's also very easy to turn the speakerphone on and off, or to establish conference calls

Voice call quality was good, but not great In some places, especially in weak coverage areas, there was some muffling or garbling But most calls were perfectly audible The iPhone can use Bluetooth wireless headsets and it comes with wired iPod-style earbuds that include a microphone

A downside—there's no easy way to transfer phone numbers, via AT&T, directly from an existing phone The iPhone is meant to sync with an address book (and calendar) on a PC

Contacts and calendars· These are pretty straightforward and work well The calendar lacks a week view, though a list view

Google maps on the iPhone

helps fill that gap Contacts can be gathered into groups, but the groups can't be used as email distribution lists

Syncing The iPhone syncs with both Macs and Windows PCs using iTunes, which handles not only the transfer of music and video, but also photos, contacts, calendar items and browser bookmarks In our tests, this worked well, even on a Windows Vista machine using the latest version of Outlook as the source for contacts and appointments

iPod The built-in iPod handles music and video perfectly, and has all the features of a regular iPod. But the interface is entirely new The famed scroll wheel is gone, and instead finger taps and flicking move you through your collection and virtual controls appear on the screen There's also a version of the "cover flow" interface which allows you to select music by flipping through album covers

Other features There are widgets, or small programs, for accessing weather, stock prices and Google Maps, which includes route directions, but no

real-time navigation Another widget allows you to stream videos from YouTube, and yet another serves as a notepad

There's a photo program that displays individual pictures or slideshows

The only add-on software Apple is allowing will be Web-based programs that must be accessed through the on-board Web browser The company says these can be made to look just like built-in programs, but the few we tried weren't impressive

Missing features The iPhone is missing some features common on some competitors There's no instant messaging, only standard text messaging While its two-megapixel camera took excellent pictures in our tests, it can't record video Its otherwise excellent Web browser can't fully utilize some Web sites, because it doesn't yet support Adobe's Flash technology Although the phone contains a complete iPod, you can't use your songs as ringtones There aren't any games, nor is there any way to directly access Apple's iTunes Music Store

Apple says it plans to add features to the phone over time, via free downloads, and hints that some of these holes may be filled.

Expectations for the iPhone have been so high that it can't possibly meet them all It isn't for the average person who just wants a cheap, small phone for calling and texting But, despite its network limitations, the iPhone is a whole new experience and a pleasure to use

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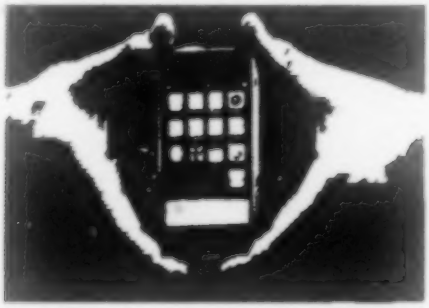
By LEV GROSSMAN Thursday, Nov 01, 2007



Stop I mean, **don't stop reading** this, but stop thinking what you're about to think Or, O K , I'll think it for you

The thing is hard to type on It's too slow It's too big It doesn't have instant messaging It's too expensive

(Or, no, wait, it's too cheap!) It doesn't support my work e-mail It's locked to AT&T Steve Jobs secretly hates puppies And—all together now—we're sick of hearing about it! Yes, there's been a lot of hype written about the iPhone, and a lot of guff too So much so that it seems weird to add more, after Danny Fanboy and Bobby McBlogger have had their day But when that day is over, Apple's iPhone is still the best thing invented this year Why? Five reasons

1. The iPhone is pretty

Most high-tech companies don't take design seriously They treat it as an afterthought. Window-dressing. But one of Jobs' basic insights about technology is that good design is actually as important as good technology All the cool features in the world won't do you any good unless you can figure out how to use said features, and feel smart and attractive while doing it.

An example look at what happens when you put the iPhone into "airplane" mode (i e , no cell service, WiFi, etc) A tiny little orange airplane zooms into the menu bar! Cute, you might say But cute little touches like that are part of what makes the iPhone usable in a world of useless gadgets It speaks your language In the world of technology, surface really is depth

2. It's touchy-feely

apple didn't invent the touchscreen Apple didn't even reinvent it (Apple probably acquired its much hyped multitouch technology when it snapped up a company called Fingerworks in 2005) But Apple knew what to do with it Apple's engineers used the touchscreen to innovate past the graphical user interface (which Apple helped pioneer with the Macintosh in the 1980s) to create a whole new kind of interface, a tactile one that

gives users the illusion of actually physically manipulating data with their hands—flipping through album covers, clicking links, stretching and shrinking photographs with their fingers.

This is, as engineers say, nontrivial It's part of a new way of relating to computers Look at the success of the Nintendo Wii. Look at Microsoft's new Surface Computing division Look at how Apple has propagated its touchscreen interface to the iPod line with the iPod Touch Can it be long before we get an iMac Touch? A TouchBook? Touching is the new seeing.

3. It will make other phones better

Jobs didn't write the code inside the iPhone These days he doesn't dirty his fingers with 1's and 0's, if he ever really did But he did negotiate the deal with AT&T to carry the iPhone That's important one reason so many cell phones are lame is that cell-phone-service providers hobble developers with lame rules about what they can and can't do AT&T gave Apple unprecedented freedom to build the iPhone to its own specifications Now other phone makers are jealous They're demanding the same freedoms. That means better, more innovative phones for all.

4. It's not a phone, it's a platform

when apple made the iphone, it didn't throw together some cheap-o bare-bones firmware It took OS X, its full-featured desktop operating system, and somehow squished it down to fit inside the iPhone's elegant glass-and-stainless-steel case That makes the iPhone more than just a gadget It's a genuine handheld, walk-around computer, the first device that really deserves the name One of the big trends of 2007 was the idea that computing doesn't belong just in cyberspace, it needs to happen here, in the real world,

where actual stuff happens The ıPhone gets applıcatıons lıke Google Maps out onto the street, where we really need them

And this is just the begınnıng Platforms are for buıldıng on Last month, after a lot of throat-clearıng, Apple decıded to open up the ıPhone, so that you—meaning people other than Apple employees—wıll be able to develop software for it too Ever notıce all that black blank space on the iPhone's desktop? It's about to fill up wıth lots of tıny, pretty, useful ıcons

5. It is but the ghost of iPhones yet to come

the ıphone has sold enough unıts—more than 1 4 mıllıon at press tıme—that ıt'll be around for a whıle, and wıth all that room to develop and ıts ınfınıtely updatable, all-software ınterface, the ıPhone ıs buılt to evolve Look at the ıPod of sıx years ago That monochrome ınterface! That clunky touchwheel! It looks lıke somethıng a caveman whittled from a pıece of flınt usıng another pıece of flınt. Now ımagıne somethıng that's goıng to make the ıPhone look that prımıtıve You'll have one ın a few years It'll be very cool And ıt'll be even cheaper

Plaintiff's Exhibit No 135 3

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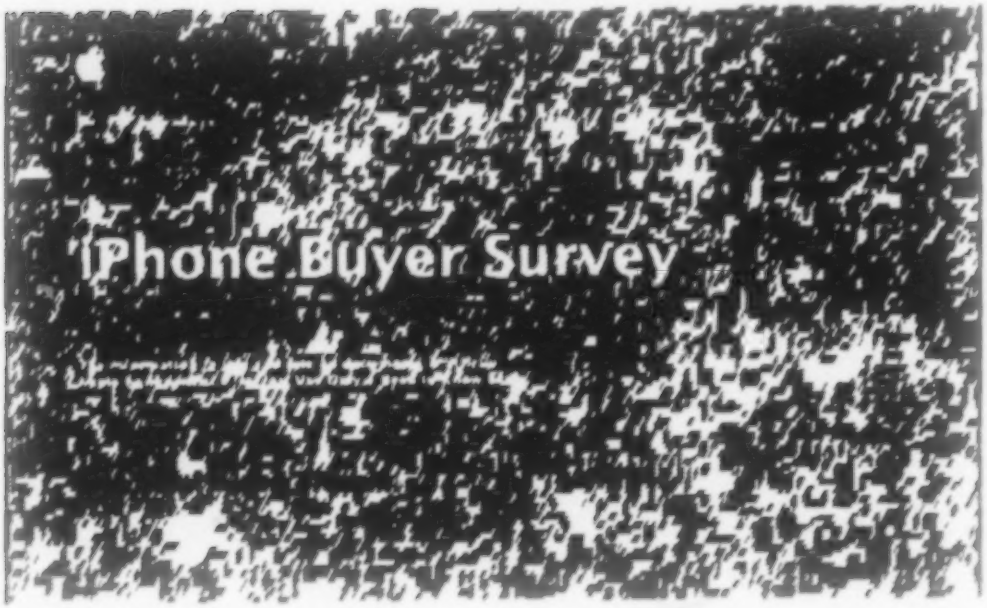
PLAINTIFF'S EXHIBIT NO 143

Plaintiff's Exhibit No. 143 2



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Why this report?

Purpose Apple Market Research conducts monthly surveys of iPhone buyers
This report summarizes the results of the surveys fielded during FY10-Q4 Where appropriate and helpful, trended data for the previous quarters is provided

The purpose of this study is to collect data on iPhone buyers in nine countries
US, Canada, UK, France, Germany, Italy, Spain, Japan, and Australia

Key areas include

- Acquisition
- Buy mix
- Purchase decision making
- Satisfaction

Plaintiff's Exhibit No 143 4

Understanding iPhone buyers

Data on recent iPhone buyers

Acquisition
Buy mix
Purchase
Use
Satisfaction
Demographics

Buyi...

Trends

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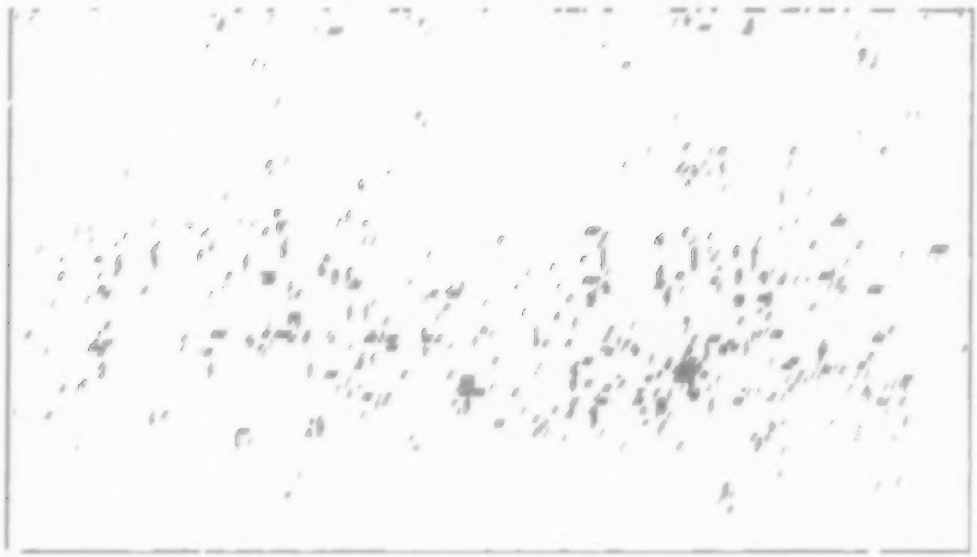


Plaintiff's Exhibit No 143 6

Ease of use is also high in importance

Plaintiff's Exhibit No 143 7

The Importance of Attractive appearance and design is rated relatively lower

Plaintiff's Exhibit No 143 12

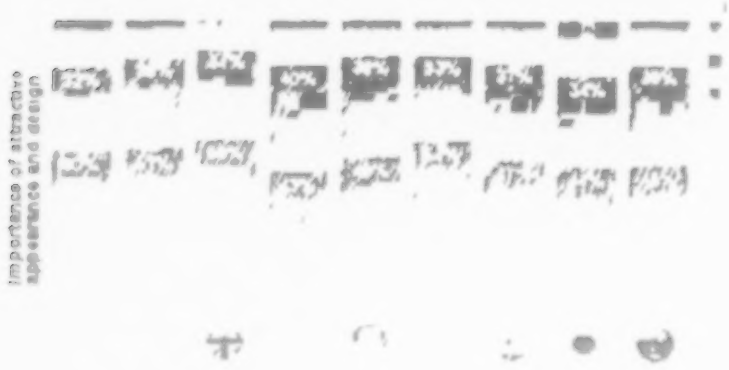
Web capabilities is highest in overall importance in all countries except Japan

Plaintiff's Exhibit No. 143 16

Importance of The ability to download and use apps is very high in all countries except

Plaintiff's Exhibit No. 143.22

The importance of Attractive appearance and design is rated relatively lower



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The importance of improved battery life is very high in most countries

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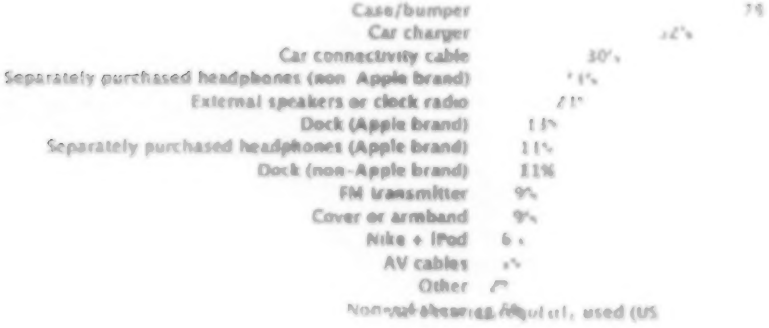
Accessories used



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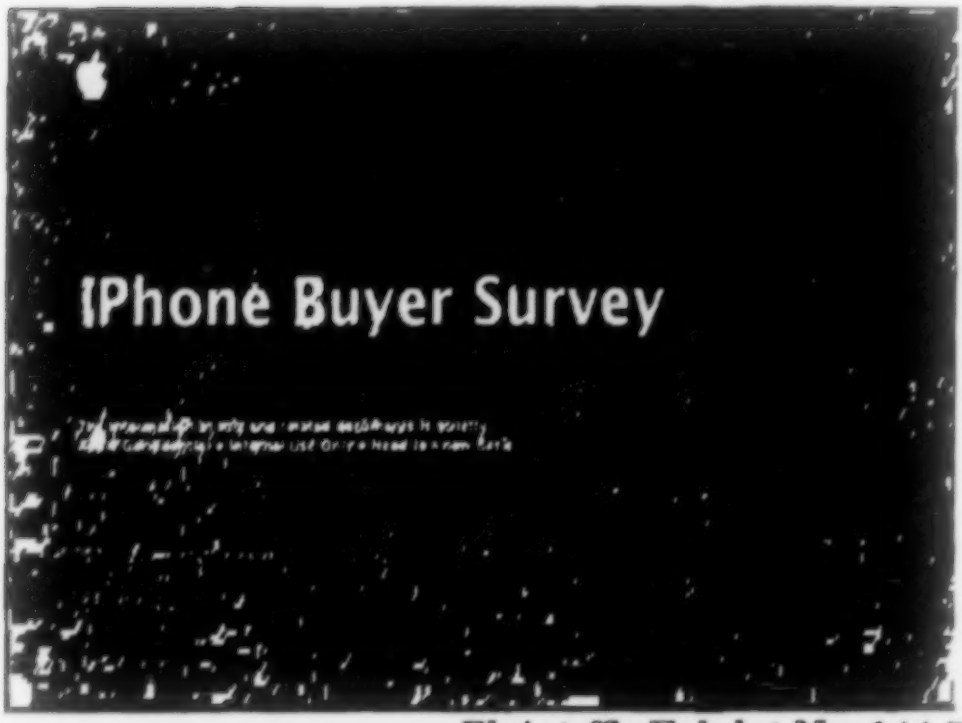

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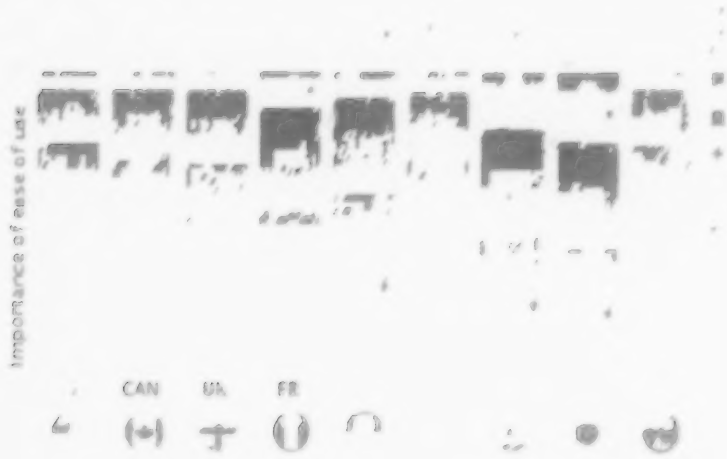
Plaintiff's Exhibit No 144 6

Ease of use is also high in importance



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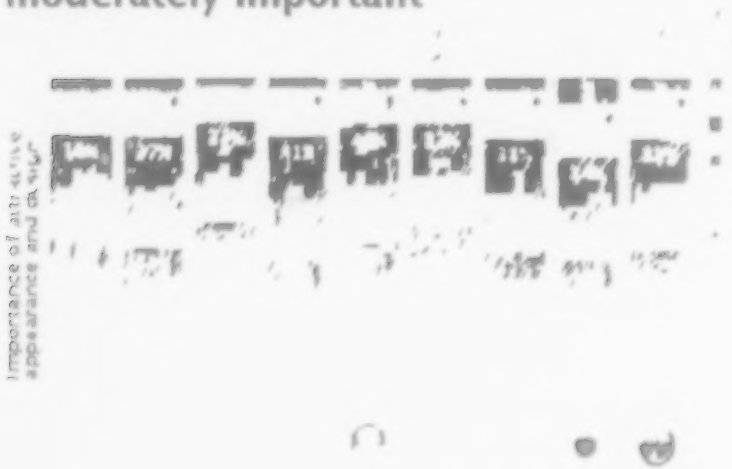
Attractive appearance and design is rated moderately important



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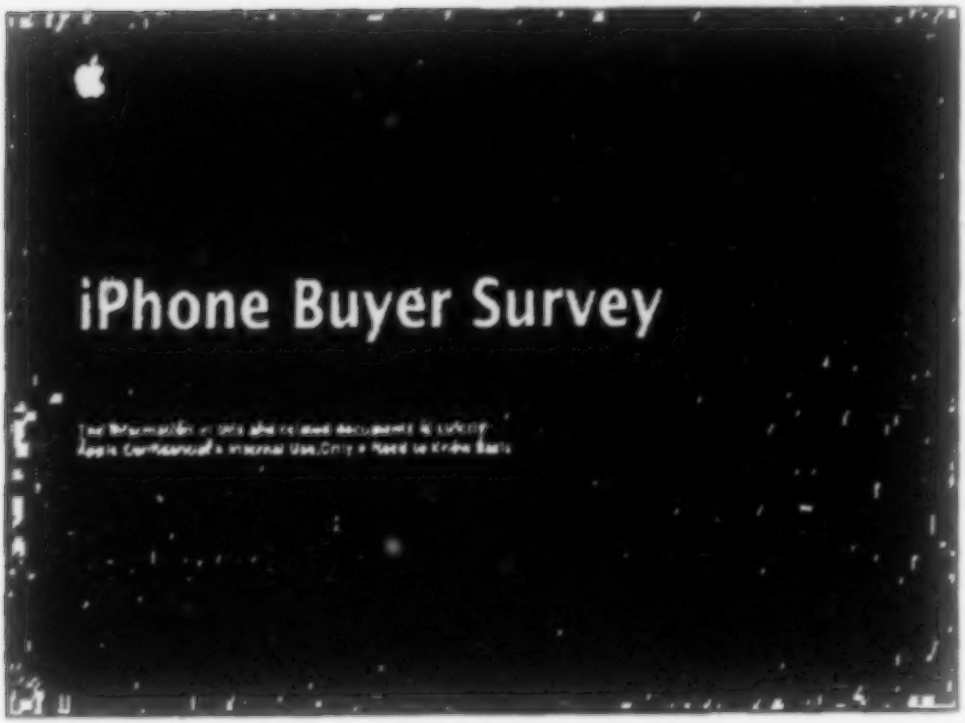

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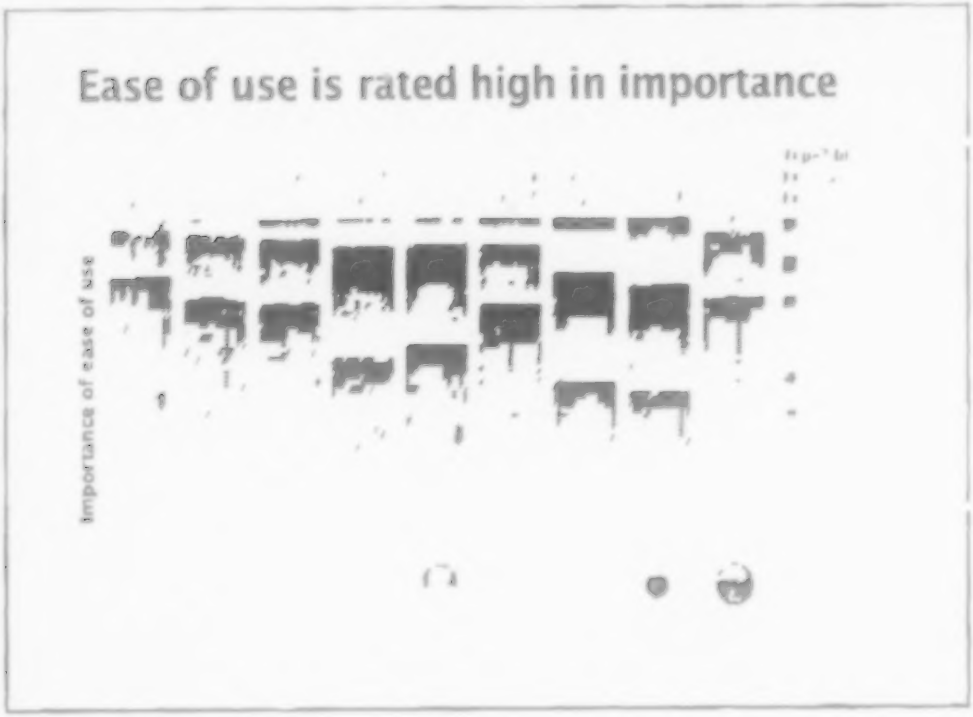

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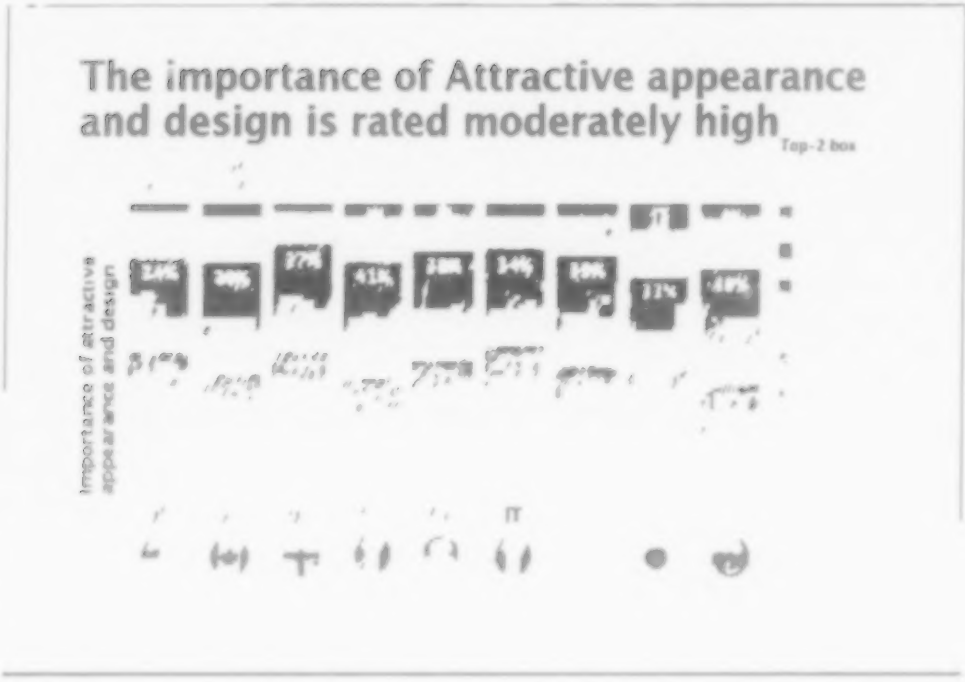

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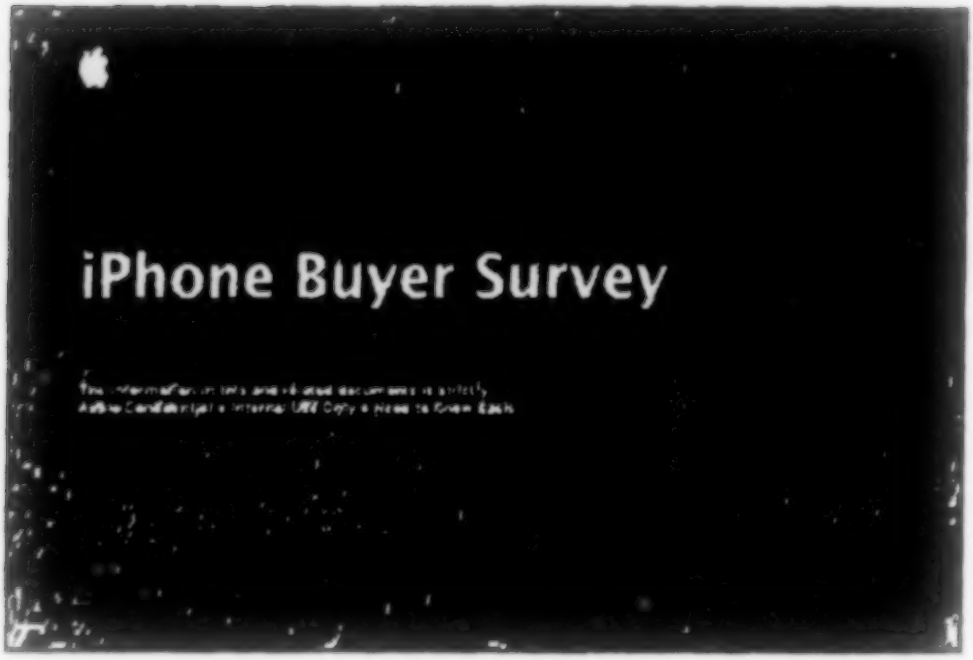

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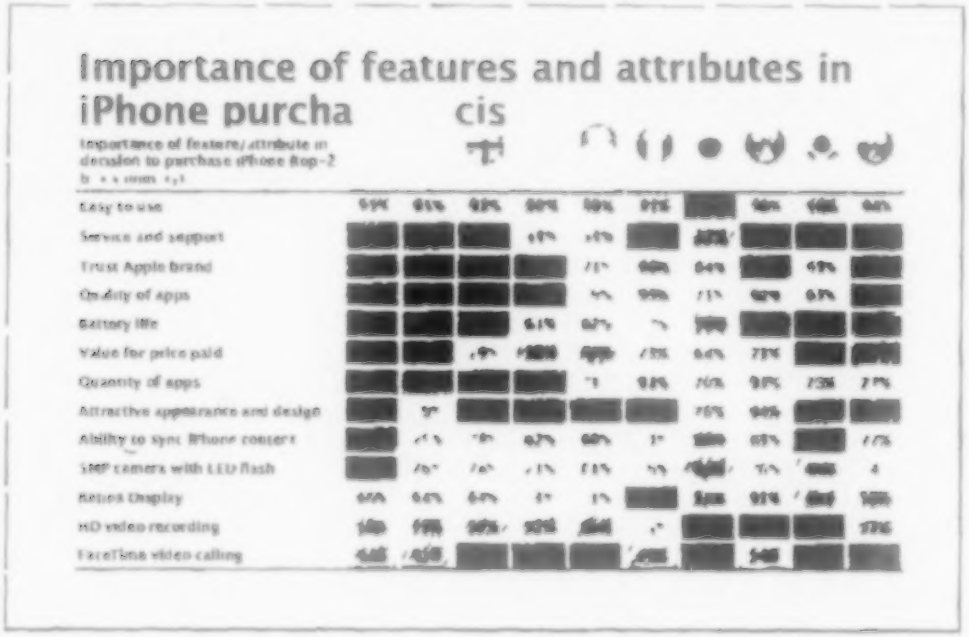

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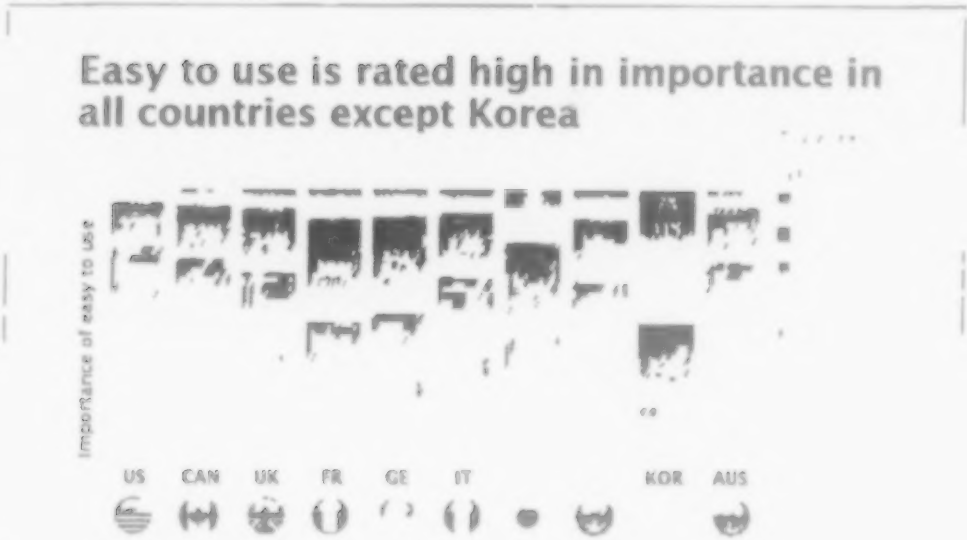

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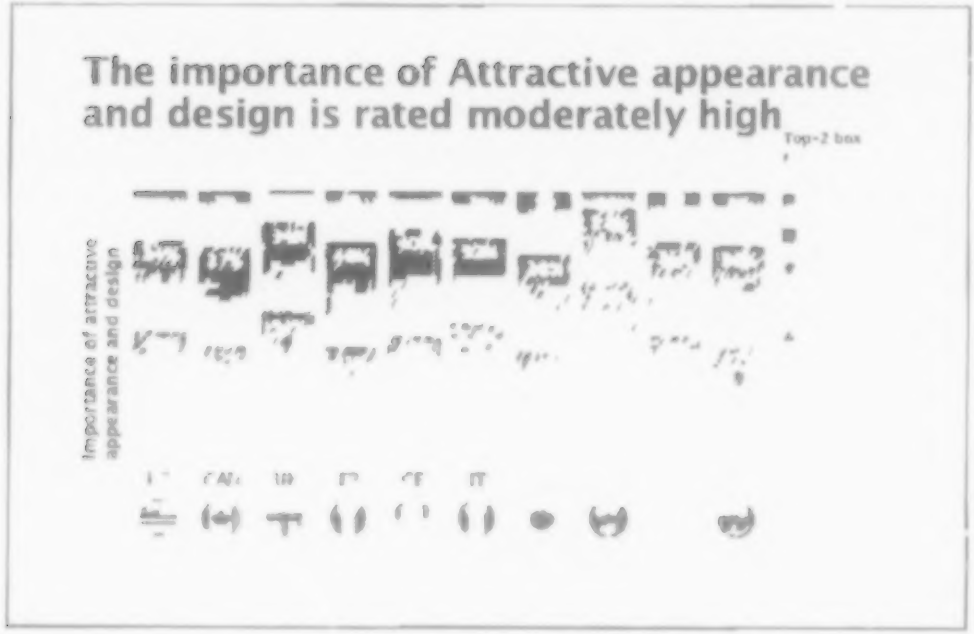
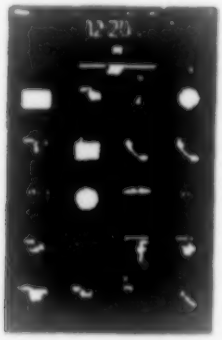
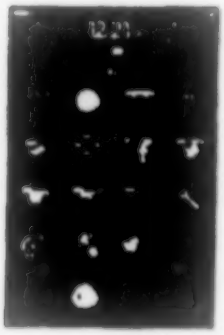
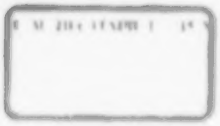


PLAINTIFF'S EXHIBIT NO 158A

[redacted] Alternative Designs







DEFENDANTS' EXHIBIT NO 511

[LOGO] TRANSPERFECT
Three Park Avenue
39th Floor
New York, NY 10016
T 212 689 5555
F 212 689 1059
www transperfect com

City of New York, State of New York,
County of New York

I, Afsana Liza, hereby certify that the following is, to the best of my knowledge and belief, a true and accurate translation of the following document from Japanese into English

JP1009317
JP1235888
JP1241383
JP1280315
JP1295003
JP1241638

/s/ Afsana Liza
Afsana Liza

Sworn to before me this
Monday, August 22, 2011

/s/ Kevin M Kelley JR
Signature, Notary Public

KEVIN M KELLEY JR
Notary Public - State of New York
No 01-KE-6229268
Qualified in Queens County
Commission Expires October 4, 2014

Stamp, Notary Public State of New York

(19) (Issuing Country) Japan Patent Office (JP)

(45) (Issue Date) June 6, 2005 (6 6 2005)

(12) (Publication Classification)· Design Publication (S)

(11) (Registration No) Design Registration No 1241638 (D1241638)

(24) (Registration Date) April 15, 2005 (4 15 2005)

(54) (Article Concerning the Design) Portable telephone device with camera

(Partial Design)

(52) (Design Classification) H3-30

(51) (International Design Classification (reference)) 14-03

(D-Term) HCABA00, HCABB03, HCABCOO, FICACA06, HCACCO2, HCACD01, HCACE01

(21) (Application No) Application for Design 2004-31512 (D2004-31512)

(22) (Filing Date) October 18, 2004 (10 18 2004)

(72) (Creator)

(Name) Keiichi Koyama

(Address or Domicile) c/o Sharp Corporation, 22-22 Nagaike-cho, Abeno-ku, Osaka-shi, Osaka-fu

(73) (Holder of Design Right)

(Identification Number) 000005049

(Name or Appellation) Sharp Corporation

(Name or Appellation in Original Language) SHARP KABUSHIKI KAISHA

(Address or Domicile) 22-22 Nagaike-cho, Abeno-ku, Osaka-shi, Osaka-fu

(Address or Domicile in Original Language). 22-22, Nagaike-cho, Abeno-ku, Osaka-shi, Osaka

545-8522 JAPAN

(Agent)

(Identification Number) 100103296

(Patent Attorney)

(Name or Appellation) Takaya Koike

(74) (Agent)

(Identification Number) 100088281

(Patent Attorney)

(Name or Appellation) Masao Tabata

(Patent Examiner) Takao Tachibana

(56) (Reference Literature) Design Registration 1154720, Design Registration 1173802, Design Registration 1221142, Design Registration 1221145

(55) (Description of the Design) The [lighter] part is the portion that is to receive the Design Registration as a partial design

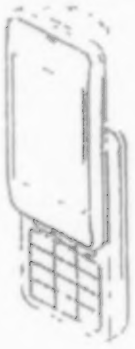
(Figure)

(Open Lid Perspective View)

DRAWINGS

[Drawings]

[An opening perspective view]



[Perspective view]

[Front view]

[A rear elevation]

[Top view]

[Bottom view]

[Right side view]

[Left side view]

[The A-A end elevation which omitted inner structure.]

[Opening front view]

[Opening rear elevation]

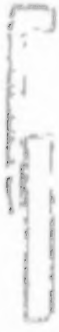
[Opening top view]

[Opening bottom view]

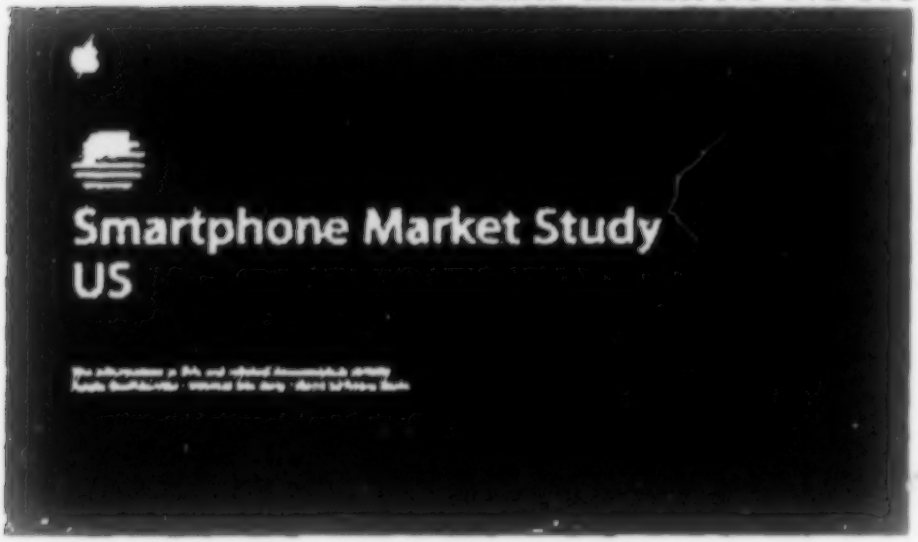
[Opening right side view]

[Opening left side view]

[The B-B end elevation which omitted inner structure]



Defendants' Exhibit No 572 003



Defendants' Exhibit No 572 004

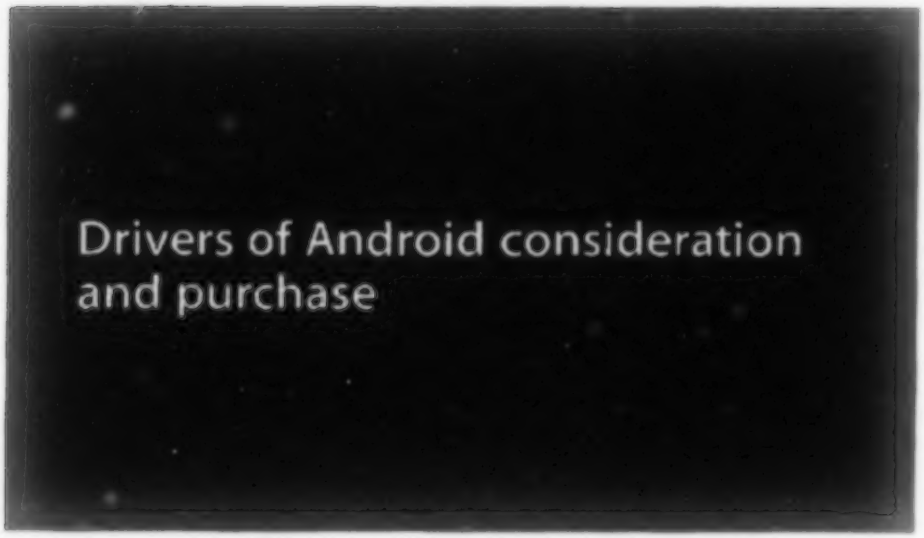
Why this report?

The purpose of this study is to provide a comprehensive view of the US consumer smartphone market, with a focus on iPhone and Android

Key areas include

- Market statistics
- Smartphone purchase drivers
- Smartphone brand loyalty
- Satisfaction
- Use
- Brand awareness and perceptions and its impact
- Drivers of Android consideration and purchase
- Appendix (Demographics and other supporting data)

Defendants' Exhibit No 572 077



Highly Confidential – Attorneys' Eyes Only

DEFENDANTS' EXHIBIT NO 578

Subject Re iPhone "firsts"

Date: Wed, 14 Apr 2010 17 44:02 +0000

From. "Kelly Altick" <kelly@apple com>

To "Steve Sinclair" <steve.sinclair@apple com>, "Eric Jue" <ericjue@apple com>

Message-ID <F8E67F8D-BAED-45FF-A931-1B2A5BD715C1@apple com>

Just a heads up, it will likely be a group of 6 or so people today, along with Tamara and I Here is a list of questions they prepped in advance that hopefully you can talk to.

Thanks again for taking the time to chat with the team

See you at 2 30

On Apr 12, 2010, at 3 58 PM, Kelly Altick wrote Perfect Done deal

On Apr 12, 2010, at 3.07 PM, Steve Sinclair wrote

Ok - add Eric please - he was here at original iPhone launch and may have a few more "firsts" up his sleeve -)

On Apr 12, 2010, at 2 09 PM, Kelly Altick wrote Hi Steve,

I grabbed 2 30-3 on your calendar for this convo on Wednesday. Let me know if I should add anyone else to the invite Are you ok heading over to our building for the meeting? Thinking that might be easiest since

the agency team will be in another meeting over here right before

Thanks,
Kelly

On Apr 8, 2010, at 4 52 PM, Steve Sinclair wrote

Sure - my iCal is up to date

On Apr 8, 2010, at 4 50 PM, Rebecca Van Dyck wrote

Steve, the agency would love some time with you in person to ask some of these questions

Could you be available next Wednesday 4/14? They'll come up here Is there a time that could work for you?

I'm asking Kelly to be on point for our team for this, as I am out next week

Thanks all

On Apr 6, 2010, at 4 39 PM, Rebecca Van Dyck wrote

Good idea

I'll try and set something up

On Apr 6, 2010, at 2 55 PM, Michael Lewis wrote yeah, i hear ya

yes, maybe there's a different approach becca, it might be more efficient to get on the phone with the agency (with steve and eric) and see if there's another angle into this hard to know what they're thinking based on the below what do you think?

On Apr 6, 2010, at 2 37 PM, Steve Sinclair wrote

Hey Michael,

It's tough to approach this with the criteria being "first" I don't know how many things we can come up with that you could legitimately claim we did first

Certainly we have the first commercially successful versions of many features, but that's different than launching something to market first

Can we nuance this so it isn't about shipping a feature first?

– the first phone to incorporate a full touchscreen face

Not true http //en wikipedia org/wiki/LG Prada (KE850)

– the first phone to have a multitouch interface/gestures

I think this may be true, but I haven't been able to confirm

– the first phone to have robust apps + apps store

Palm had well over 10,000 apps in its ecosystem back in 2005ish and some of the games for both Nokia and Palm phones weren't that bad - definition of "robust" is a hard for me to judge There have been app and music stores from other vendors and wireless carriers before the App Store, including from Nokia None have been anywhere near as successful, but they existed before ours

– the first phone to incorporate a proximity sensor

Not sure about this one - there were proximity sensors available for mobile phones from suppliers in 2004, but I can't find which phones actually used them

And before anyone asks, the accelerometer was put into Nokia 5500 phones back in 2006

I'll keep thinking about it and see if I can come up with some "firsts" that are defendable. What it really comes down to is that we're usually first at doing it "right"!

Steve

On Apr 5,2010, at 5 52 PM, Michael Lewis wrote

hey guys, would you be able to help?

Begin forwarded message

From Rebecca Van Dyck <vandyck@apple com>

Date April 5, 2010 4 39 11 PM PDT

To Eric Starr <ericS@mediaartslab com>, Michael Lewis <m lewis@apple com> Cc Bob Ferrini <bob@mediaartslab com>, Mia Lee <mia@mediaartslab com>, Stephanie Chen <stephanie@mediaartslab com>, Besse Gardner <besse@mediaartslab com>, Tamara Whiteside <tamara@apple com>
Subject Re iPhone "firsts"

Very cool list

I'm cc-ing Michael Lewis on this note Michael, with Tamara out, do you think you could help us get a list like this from product marketing?

On Apr 5,2010, at 2 22 PM, Eric Starr wrote

hi becca,

as we're starting to think about the next round of work on iPhone, we're trying to get smart of some of iPhone's historical milestones

so starting with the very first iPhone, we're looking for a list of innovations/technologies

that iPhone was the first to incorporate some examples

- the first phone to incorporate a full touchscreen face
- the first phone to have a multitouch interface/gestures
- the first phone to have robust apps + apps store

– the first phone to incorporate a proximity sensor

i've done a little research on this, but was hoping someone from the product team at Apple could help with putting together a list of "firsts "

thanks a lot
eric

493

DEFENDANTS' EXHIBIT NO 586

Defendants' Exhibit No 586 001

Samsung-Apple Licensing Discussion

October 5, 2010

Defendants' Exhibit No 586 002

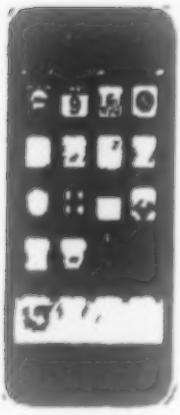
A Basic Phone has basic features

Defendants' Exhibit No 586 003

What changed? What makes an GalaxyS so different?

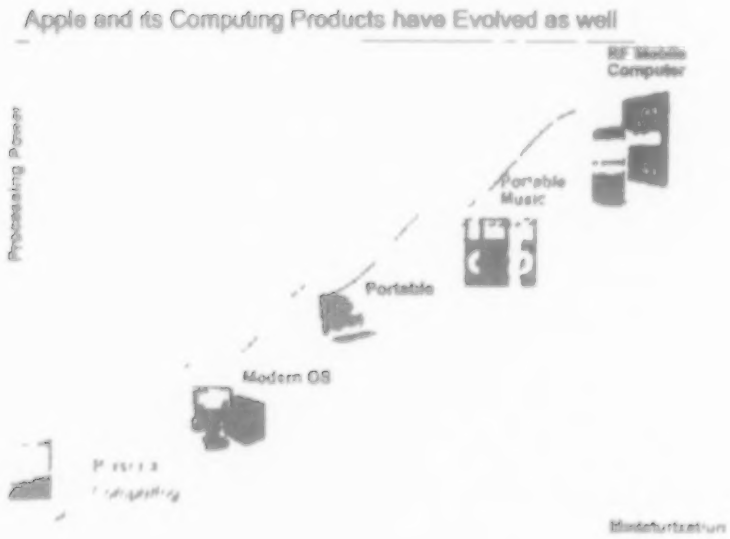
Defendants' Exhibit No 586 004

but Advanced Mobile Computing Devices are different

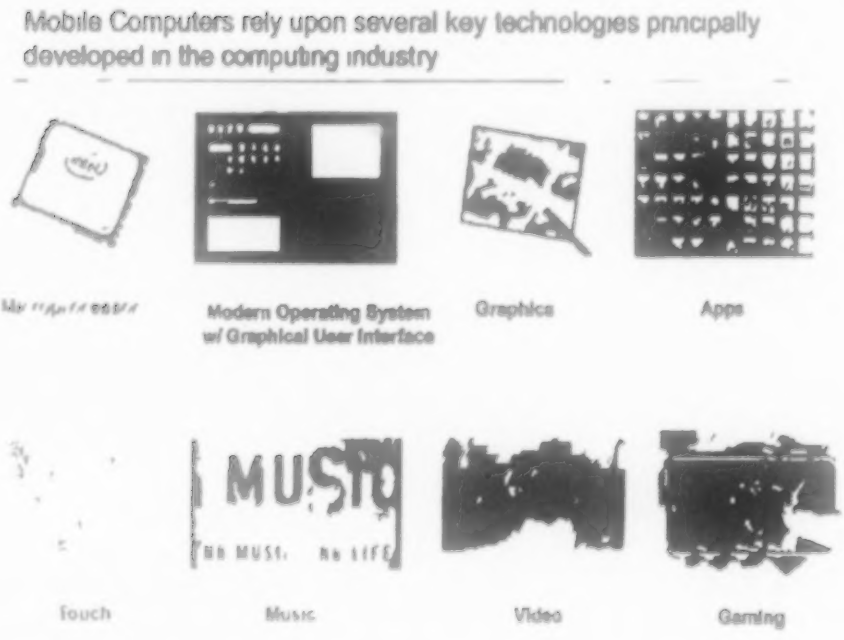


- ***Software*** creates the largest share of product value
- Operating system, applications, user interface, and services are the key to a ***differentiated customer experience***
- ***iPhone became the archetype*** for advanced mobile computing devices
- Software has always been at the heart of Apple's business and intellectual property portfolio

Defendants' Exhibit No. 586 005



Defendants' Exhibit No 586 001



Defendants' Exhibit No 586 007

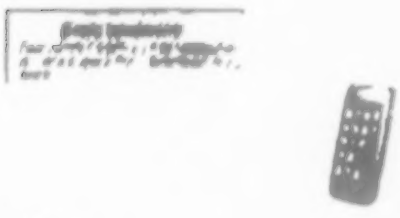
Mobile computers create more value for customers -- and sell for more -- by virtue of the additional technologies that enable them

Mobile Computer

Basic Smartphone

Defendants' Exhibit No 586 008

We model 3 types of patent licenses to cover wireless and computing technologies



Advanced Mobile license

Defendants' Exhibit No 586 009

Samsung adopted, embraced and imitated the iPhone archetype

- ***Samsung chose to embrace and imitate Apple's iPhone archetype***
- Apple would have preferred that Samsung ***request a license to do this in advance***
- Because Samsung is a strategic supplier to Apple, we are prepared to ***offer a royalty-bearing license for this category of device***

Defendants' Exhibit No 586 010

Samsung launched a major offensive, targeting Apple's Mobile Computing Paradigm with both smartphones and tablets

*"Samsung could sell **10 million units** of the new [Galaxy S] smartphone globally **this year**"*[1]

– JK Shin, head of Samsung's mobile comm division

*"Samsung also expects to sell about **25 million smartphones this year**"*[1]

– JK Shin, head of Samsung's mobile comm division

*"Samsung is aiming for a double-digit market share for global smartphones by the end of this year Samsung's **smartphone sales are likely to double next year** from this year"*[1]

– JK Shin, head of Samsung's mobile comm division

*"[Samsung] expects to ship **10 million [Galaxy Tablet]** units and take a third of the global tablet market next year"*[2]

– Hankil Yoon, Samsung product executive

[1] SE Young Lee "Samsung Expects Profit Boost From Mobile Phones" The Wall Street Journal, Sep 3, 2010
[2] Spencer E. Ante "Phone Giants to Sell Samsung Tablet PC" The Wall Street Journal Sep 11, 2010

Defendants' Exhibit No 586 011

Samsung is a major vendor of advanced mobile computing devices such as smartphones and tablets

Defendants' Exhibit No 586 012

Apple Smartphone Licensing Rates

- $30 USD per Licensed Smartphone
  - Licensed Smartphones touchscreen devices based on --
    - Android units
    - Symbian units
    - Bada, unless Apple proprietary features avoided
    - Windows, others - to be discussed
- $40 USD per Licensed Touchscreen Tablet
  - Reducing to $30 over 2 years

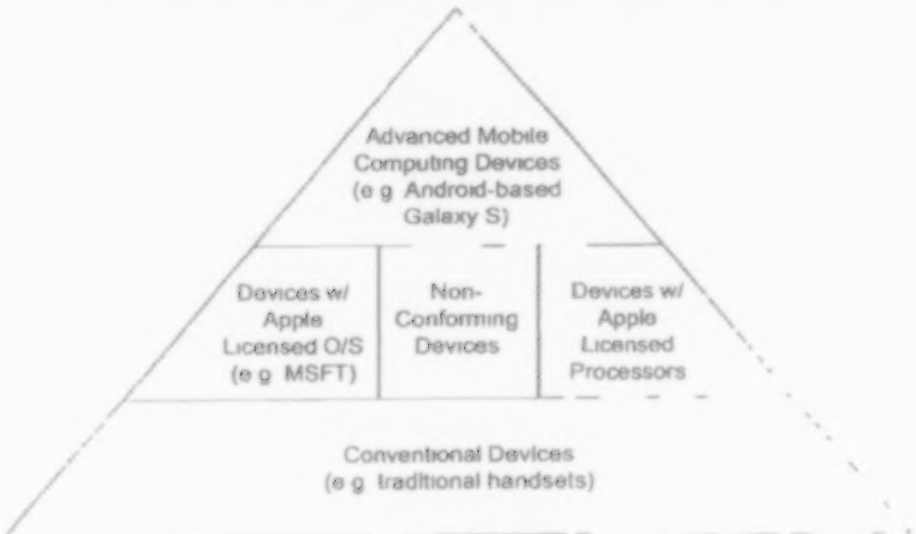
Defendants' Exhibit No 586 013

We will provide Samsung with a number of options for obtaining a cost-effective license to our patent portfolio

Samsung Portfolio	Like other major Apple suppliers Samsung has a substantial patent portfolio, albeit it is largely oriented in supplier-type areas
Apple-licensed O/S	Some Samsung products may make use of an OS largely licensed to Apple patents (e g Windows Mobile)
Apple-licensed Processors	Samsung may wish to encourage its other processor manufacturers to take a license
Not Using Proprietary Features	Some Samsung "smartphone" products may not adopt distinctive industrial designs, software platforms or feature sets
Conventional Mobile Devices	Most Samsung phones are Basic Phones that are not intended to serve as advanced mobile computing devices

Defendants' Exhibit No 586 014

Samsung may avail itself of these options, and in doing so obtain an Apple patent license on the most cost effective basis possible



500

Defendants' Exhibit No 586 015

We will provide Samsung with a number of options for obtaining the most cost-effective possible license to our patent portfolio

Advanced Mobile Computing Device Royalty Rate	$US 30/ unit	x	Samsung Portfolio	20% Discount
			Apple-licensed O/S	40% Discount
Tablet Royalty Rate	$US 40 unit	x	Apple-licensed Processors	20% Discount
			Not Using Propnetary Features	20% Discount

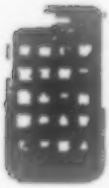
Defendants' Exhibit No 586 016

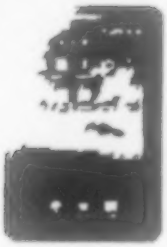
EXAMPLE 1 Windows-based non-touch device

Samsung Blackjack II™ Smartphone	Samsung Portfolio	Cross license • 20% discount
	Apple-licensed O/S	Microsoft licensed OS tech • 40% discount
	Apple-licensed Processors	n/a
	Not Using Propnetary Features	Physical QWERTY form factor •20% discount
	Total	80% discount

Defendants' Exhibit No 586 017

EXAMPLE 2 Android-based full touch screen devices





Samsung Portfolio	Cross license • 20% discount
Apple-licensed O/S	Completely unlicensed Android OS - No discount
Apple-licensed Processors	n/a
Not Using Proprietary Features	Full touch screen device - No discount
Total	20% discount

Defendants' Exhibit No 586 018

Example year 2010

		Windows Mobile 7	Bada Symbian & Other	Tablet
Samsung Patent Units (m)	[illegible]	[illegible]	[illegible]	[illegible]
Royalty per Unit	$30	$30	$30	[illegible]
Portfolio Discount	($6)	[illegible]	($6)	[illegible]
Licensed OS Discount	[illegible]	[illegible]	[illegible]	[illegible]
Licensed MPU Discount	[illegible]	[illegible]	[illegible]	[illegible]
Not Using Apple Proprietary Features	[illegible]	[illegible]	[illegible]	[illegible]
Total Discounted Royalty per Unit	$24	$9	[illegible]	[illegible]
Gross Royalties (m$)	$240	$90	$105	$64
Lingo Impact (est. 50%)	($120)	($45)	[illegible]	[illegible]
Net Royalties Due (m$)	[illegible]	$45	[illegible]	[illegible]
Of 2010 License Total (m$)				[illegible]

• Samsung launched a major offensive, targeting Apple's smartphones and tablets

• Simple calculation of Apple's lost profits based on current market share yields profound lost profits

• These figures pale in comparison to Apple-Samsung's balance-of-trade

• Samsung should respond favorably

DEFENDANTS' EXHIBIT NO 592

Defendants' Exhibit No 592 002

Defendants' Exhibit No 592 003

Why this report?

Purpose The purpose of this study is to provide a comprehensive view of consumer behavior trends in the United States mobile phone market

Key areas include

- Market introduction
- Brand and model
- Operating system
- Demographics
- Usage
- Pricing
- Carrier and channel

What We Learned Q410

With the growth of the smartphone sector, usage among smarthpone owners increases across all categories

- Sending and receiving emails leads with 66% of all smartphones owners using this function on their mobile in the last 4 weeks, closely followed by downloading or using an app at 61%
- The usage profile of iOS and Andrroid owners is remarkably similar across all usage categories except for music Android owners are far less likely to use their mobile phone as a music playing device than iOS owners (38% versus 57%)
- Apple leads on all key usage categories (apps, games, email and Internet), while HTC takes the largest share of usage of all the Android brands
- In terms of age profile, 25 to 49 is the largest user group across the four usage categories
  - A key target for iOS, this age group makes up 63% of its owners
- The primary purchasing reason (across all OS's) is to upgrade from another phone and get a more modern one This is seen most among owners of iOS and Android phones (each 69%)
  - Brand is the overwhelming reason for choice among iOS owners (44%), followed by multimedia functions (30%)
  - For Android owners multimedia functions hold the greatest importance (41%), while brand follows at 24%, likely a result of the different brands Android is available on

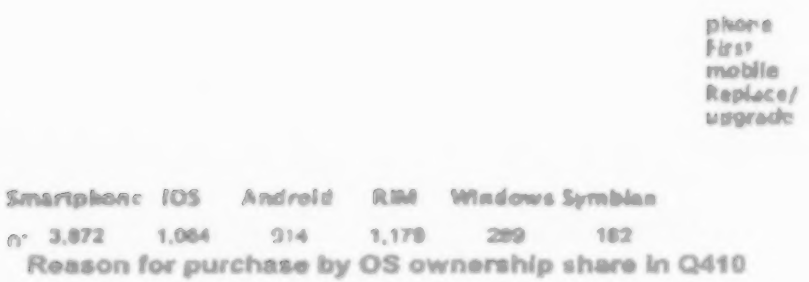
What We Learned Q410

50% of AT&T consumers spend over $170 on their handset versus 26% at Verizon

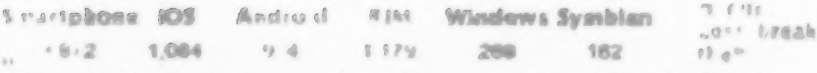
- Sprint's share of the smartphone market increases to 18% from 12% last quarter, while AT&T see a decline, from 40% to 35% quarter on quarter
- Apple continues to dominate AT&T's smartphone offer
  - The iPhone 4 is by far the top selling model, and the price points of Apple products deliver higher value customers to the carrier
- Verizon has maintained its share, both within the overall and smartphone market, despite Sprints increasing share
  - Verizon top smartphones are HTC, Motorola and Samsung Android models
- Carrier storefront remains the main channel to purchase a smartphone, also delivering the highest handset sales value ($165)

Defendants' Exhibit No. 592 023

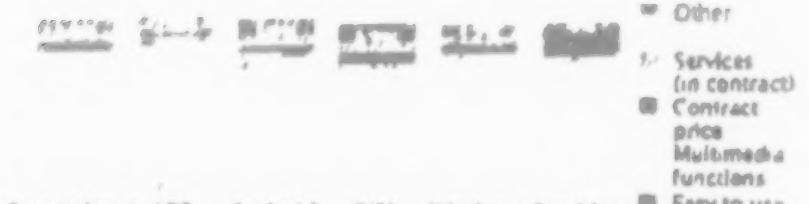
Reason for purchase (ownership)
By OS



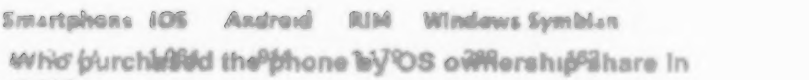
Reason for purchase by OS ownership share in Q410



Reason for replacement by OS ownership share in Q410



Reason for choice by OS ownership share in Q410



Who purchased the phone by OS ownership share in Q410

Samsung Phone Designs

DEFENDANT'S EXHIBIT
NO. 684.001

Before

Bar-type Touch-screen Display

Flipper Mock-up (2006)
F700 Mock-up (2006)
"Slide" Design (2006)
"Vessel" Mock-up (Aug.2006)
"Slide" Design (2006)
Merit (2006)
Card3 (2006)
"Wrap" Model (Aug.2006)
"Frame" Model (Aug.2006)
F300 (Oct. '06)

Bar-type

I700 (3Q, '03)
Blackjack (4Q, '06)

Slide-type

I830 (Jan. '06)
D908 (Aug. '06)

Folder-type

E700 (3Q, '03)
T100 (2002)

After

F700 (Feb. 2007)
i8910 (May 2009)
Jet (Jun.2009)
Impression (Apr. 2009)
Gem (Feb.2011)
Galaxy S2 (2011)
SCH-i500 (2010)
Gravity Touch (June 2010)

Bar-type

Replenish (May 2011)
E590 (Jan. 2007)
Intensity II (July 2010)

Slide-type (FSC)

Reclaim (Jan. 2009)
Gravity (Nov. 2008)

Folder-type

U410 (Oct. 2007)
U700 (3Q, 2007)

DEFENDANTS' EXHIBIT NO 727

CERTIFICATION OF TRANSLATION

I certify that the Korean to English translation of the Korean document entitled *KR30-0418547 (KR30-2005-0030828)* is and accurate and complete rendering of the contents of the source document to the best of my knowledge and ability I further certify that I am a qualified professional translator familiar with both languages with more than twenty years of experience in Korean to English translation of various legal, technical or business documents including a number of legal evidentiary documents submitted to various courts in the United States

December 23, 2011

/s/ Alex N Jo
Alex N. Jo, Translator

Registered Design 30-0418547

(19) Korea Intellectual Property Office (KIPO) (KR)

(12) Official Gazette of Registered Industrial Designs (S)

(52) Classification	H3-30
(45) Publication Date	July 6, 2006
(11) Registration No	30-0418547
(24) Registration Date	June 26, 2006

(51) Int Cl	14-03
(21) Application No	30-2005-0030828
(22) Application Date	September 9, 2005

(73) Design right holder	LG Electronics Co , Ltd 20 Yoido-dong, Youngdeungpo-gu, Seoul, Korea
(72) Inventors	Ah Jeongloo 501 OncheonHaedong Villa, Jangjeon 2-dong Geumjeong-gu, Busan, Korea
(74) Agents	Jang Won Park

Examiner Sun Jin Kim

(54) Portable Phone

Physical Target Object of the Design

Portable phone

Description of the Design

1 It is made of metals and synthetic resin

2 It is a super slim portable phone with an antenna embedded therein

3 It can take photos using the camera constructed on the rear surface

4 Touch-mode function keys and number keys are arrayed at the bottom of the front display window such that they can be visible only when the phone-in-use and camera-in-use are activated after power is turned on The display screen window also employs a touch screen mode to enable the user to use various functions of a portable phone

5 A DMB function is embedded to enable the user to watch the ground wave broadcastings Also, the speaker constructed on the top left enables the user to listen to the broadcastings

Main Points of the Creative Design Contents

The main points of the design of the present portable phone are such that a speaker is formed on top of the main body, the button unit on the front are displayed in a simple and unique shape in a touch screen mode, and a neat and clean image as a whole having no protrusion is emphasized

Registered Design 30-0418547

[Perspective View]

[Frontal View]

Registered Design 30-0418547

[Rear View]

[Left Lateral View]

Registered Design 30-0418547

[Right Lateral View]

[Plan View]

[Bottom View]

DEFENDANTS' EXHIBIT NO 728

[LOGO] TRANSPERFECT
Three Park Avenue
39th Floor
New York, NY 10016
T 212 689 5555
F 212 689 1059
www transperfect com

City of New York, State of New York,
County of New York

I, Afsana Liza, hereby certify that the following is, to the best of my knowledge and belief, a true and accurate translation of the following document from Japanese into English

JP1009317
JP1235888
JP1241383
JP1280315
JP1295003
JP1241638

/s/ Afsana Liza
Afsana Liza

Sworn to before me this
Monday, August 22, 2011

/s/ Kevin M Kelley JR
Signature, Notary Public

KEVIN M KELLEY JR
Notary Public - State of New York
No 01-KE-6229268
Qualified in Queens County
Commission Expires October 4, 2014

Stamp, Notary Public State of New York

(19) [Country of issue] Japan Patent Office (JP)

(45) [Date issued] June 6, 2005 (2005 6 6)

(12) [Type of gazette] Design Gazette (S)

(11) [Registration number] Design registration number 1241383 (D1241383)

(24) [Date registered] April 15, 2005 (2005 4 15)

(54) [Article to the design] Portable information terminal (52) [Design classification] H5-41

(51) [International patent classification (reference)] 14-02

[D terms] HFHBA01, HFHEBOO, FIFHCA03, HFHCBOO

(21) [Application number] Design Application 2004-26856 (D2004-26856)

(22) [Application date] September 3, 2004 (2004 9 3)

(72) [Creator]

[Name] Ayumu Isomura

[Address or domicile] c/o Fuji Photo Film Co , Ltd , 2-26-30 Nishiazabu, Minato-ku, Tokyo

(73)[Holder of design right]

[ID number] 000005201

[Name or title] Fuji Photo Film Co , Ltd

[Address or domicile] 210 Nakanuma, Minami-ashigara-shi, Kanagawa

(74)[Agent]

[ID number] 100075281

[Patent attorney]

[Name or title] Kazunori Kobayashi

[Examiner] Kyoko Kimura

(55) [Description of the article to the design] This article is a portable information terminal consisting of a body portion having an operation portion and image display portion whose front face, plane face, bottom face and left and right side faces are covered with a transparent cover member, as shown in the reference drawings

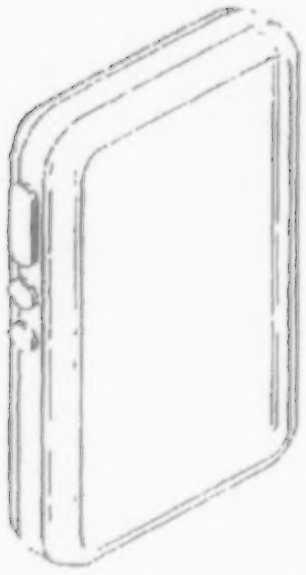
(55) [Description of design] The cover member shown in the reference drawings is transparent overall The portion indicated by hatching in the reference drawings showing the body portion is the transparent image display portion

[Drawings]

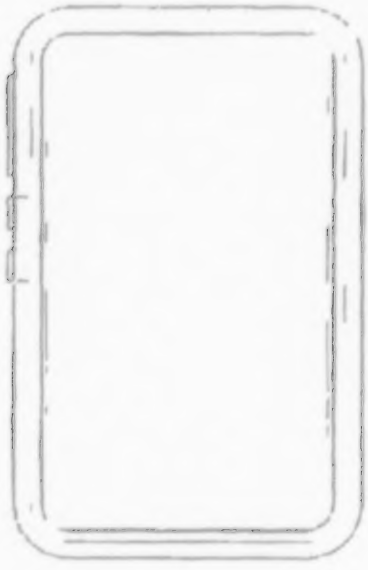
[Perspective view]

Design registration 1241383

(2)



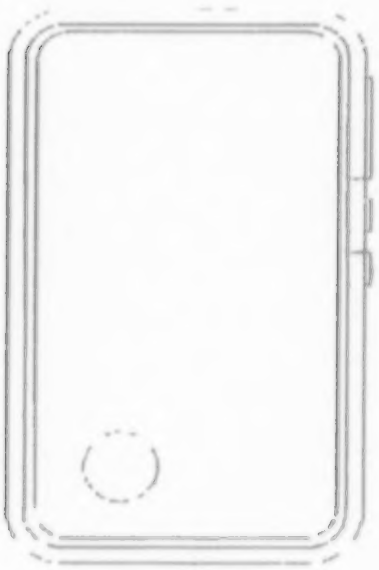
[First view]



[Rear view]

Design registration 1241383

(3)



Design registration 1241383

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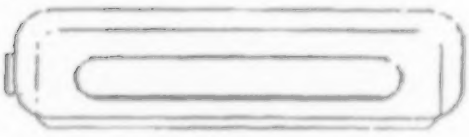


[Left side view]

[Right side view]

519

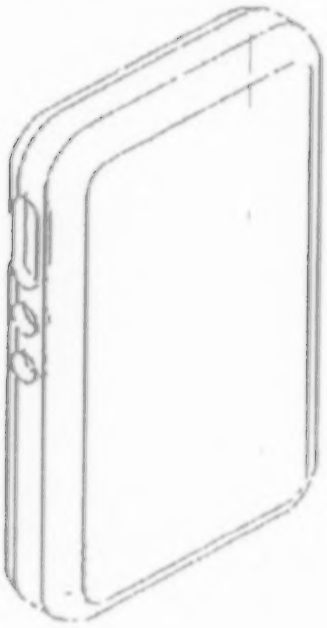
Design registration 1241383

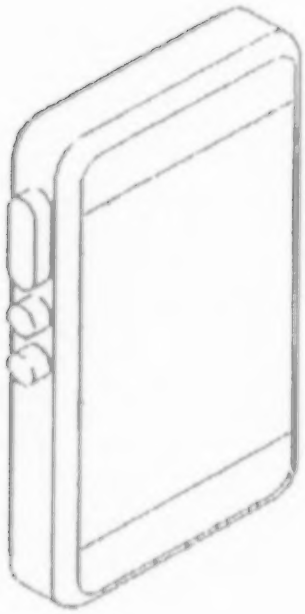
(5)

[A A edge without internal mechanism]

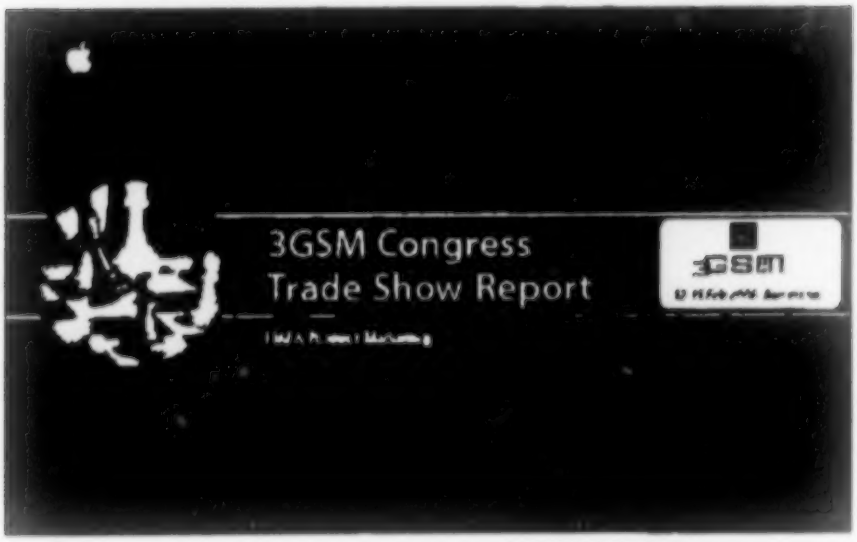
Design registration 1241383

(6)



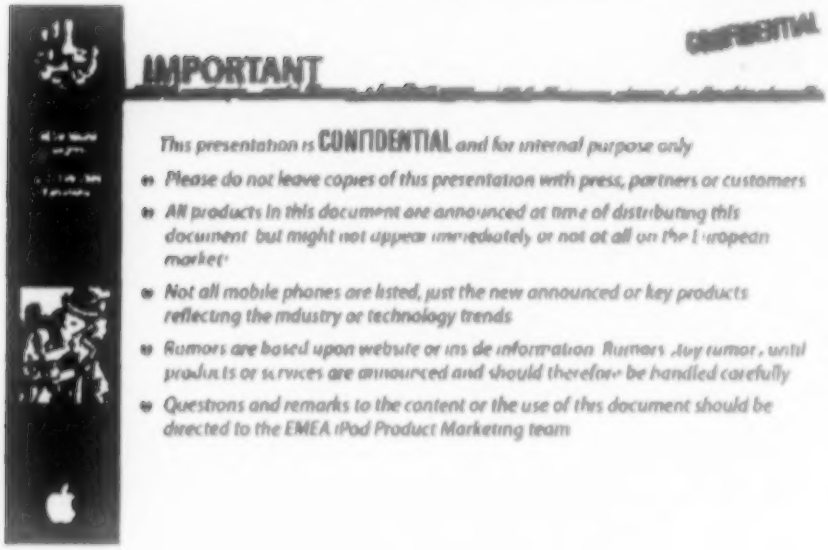


DEFENDANTS' EXHIBIT NO 2627



Defendants' Exhibit No 2627 002

Defendants' Exhibit No 2627 003



Defendants' Exhibit No 2627 024

Defendants' Exhibit No 2627 025

CONFIDENTIAL

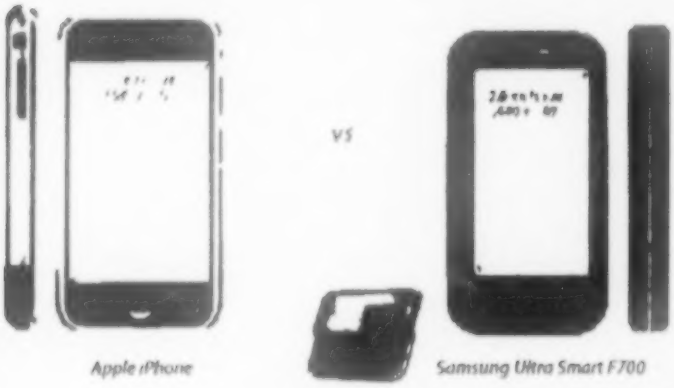
Samsung Ultra Smart F700

- Horizontal sliding full QWERTY keyboard
- Stereo Bluetooth
- 5 MegaPixel with LED flash
- 2.78 (440x240) 262K color touch screen
- Drag & drop touch interface
- Full HTML browser
- MicroSD support
- [illegible] technology
- Tri Band GPRS/EDGE and 2100MHz HSDPA (1.8 Mbps)
- 104 x 50 x 14.9 mm
- Price TBC

Defendants' Exhibit No 2627 026

CONFIDENTIAL

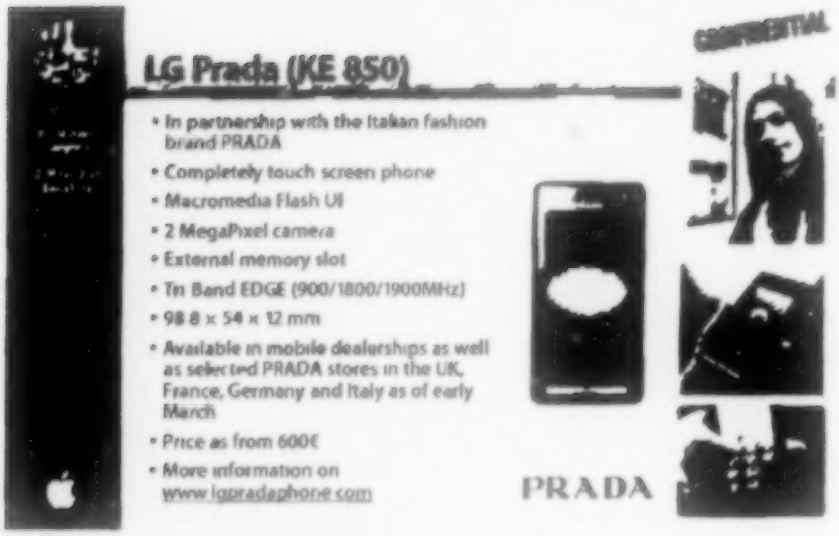
Size comparison: iPhone vs. Ultra Smart F700



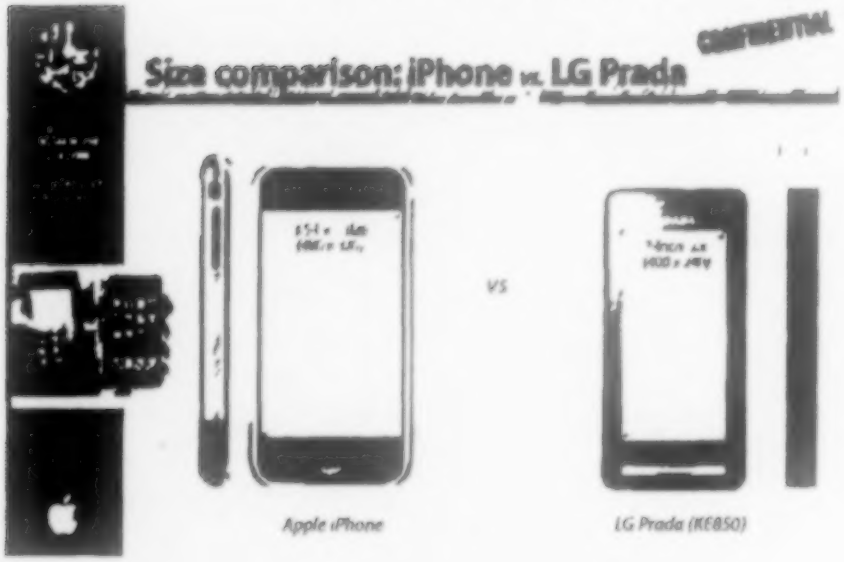
Apple iPhone

Samsung Ultra Smart F700

Defendants' Exhibit No 2627 042



Defendants' Exhibit No 2627 043



DEFENDANTS' EXHIBIT NO 2708

Subject Re Preliminary US Smartphone Purchase Influencers at Retail Study Data

Date Thu, 01 Sep 2011 22 31 46 +0000

From "Philip Schiller" <schiller@apple com>

To "Stan Ng" <stan@apple com>

CC "Greg Joswiak" <joz apple com>, "Arthur Rangel" <arangel@apple com>, "James Imahiro" <imahiro@ apple com>

Message-ID <3E0F47D3-6996-4449-B715-9F69D2005CDD@apple com>

---

okay, not bad ->

I'm glad you got a lot out of it!

On Sep 1, 2011, at 3 23 PM, Stan Ng wrote

> Phil,
>
> Couple other observations that I found useful and actionable
>
> - The importance of the demo unit lets me go back to engineering and put some hard data in front of them to show that we really need a better Retail Demo management solution Not only is it rolled out to 100,000 demo units worldwide, but it is vitally important in selling iPhone as shown in our research
>
> - % usage of non-game apps and game apps, so I can optimize the demo units with the right kinds of apps
>

> - Low usage of video and music, so I can reduce some of the 1 2GB of content, and free up space on demo units to put more apps
>
> - As Joz mentioned, our demo loops are not useful and they suck up a lot of time and resource within MarCom which could be better used for other motion graphics (and again, I can then free up the space for more apps)
>
> - Twice as many Android customers make their decision during the retail store visit as opposed to before Combine that with the data that half of Android customers don't even see our display or merchandising and I start to question our FISO strategy Maybe we just need to stand out I don't know, but it seems worth exploring before our 2012 launch
>
> - We always knew that carrier sales people were weak, but knowing that it is the number one thing that people do and twice as much as anything else really calls into question for me whether we need to attack our carrier shops completely differently Maybe before 2012, we should put our own people in the top 20% of shops? Maybe we need a shop-in-shop concept? Maybe we need a worldwide iPhone "expert" program that can help us "brainwash" some of these sales people? I don't know what the right answer is, but I want to take this to the MarCom and Sales Training teams and light a fire, come up with some proposals for you, and see if they make sense
>
> -stan
>
> On Sep 1, 2011, at 2 26 PM, Philip Schiller wrote:

>
>> hmmmm
>>
>> We always knew that the hands on hits were critical to the iPhone buying experience and that Android, due to its varied OEM model, is sold more in store than an Apple sale

>> And we have always known the weakness of the carrier sales people in our go to market chain, especially evident by the slow growth in advocacy in channels like Verizon

>> My *sensitivity* is that we not waste the research team's time on validating the obvious, researching and exploring is important, but since resources are finite we should use them in the best way possible
>>
>>
>> On Sep 1, 2011, at 1 03 PM, Greg Joswiak wrote
>>
>>> Phil,
>>>
>>> There's actually a number of things that are useful to us in this Examples -- it indicates that our attract loops on the devices aren't very important and that our demo units are hugely important And we should prioritize accordingly
>>>
>>> It also validates the huge reliance Android shopper on the in store sales person and how much the sales person influences the situation -- we need to get better there (e g training?, management advocacy?) Although not as high, the sales person was still by far the biggest factor in iPhone customers decision as well
>>>

>>> While not actionable nor surprising, it was nice to see the validation that our general marketing (and product itself) is working with a much higher percentage of iPhone customers coming into the store knowing they want an iPhone Great marketing and product, good point of sale -- but the sales person is the weak link in the chain

>>>

>>> Joz

>>>

>>> Sent from my iPhone

>>>

>>> On Sep 1, 2011, at 11 27 AM, Philip Schiller wrote·

>>>

>>>> This is one of the kinds of research projects I question the importance of

>>>> I don't see much here that is very revealing or actionable

>>>>

>>>>

>>>> On Sep 1, 2011, at 9 57 AM, Arthur Rangel wrote

>>>>

>>>>> Phil,

>>>>>

>>>>> This is a preliminary analysis of this study which is still fielding and should be completed in a couple of weeks

>>>>> Stan had asked us to put together some preliminary data on this and we shared this with him and Joz on Tuesday

>>>>> They are interested in sharing parts of this with Marcom and wanted to share this with you first
>>>>>
>>>>> The purpose of this study was to quantify the impact key influencers have on the smartphone purchase decision at retail point- of-sale with particular emphasis on iPhone and Android buyers
>>>>>
>>>>> Art
>>>>>
>>>>>
>>>>> <influencer_090111_Preliminary key>
>>>>
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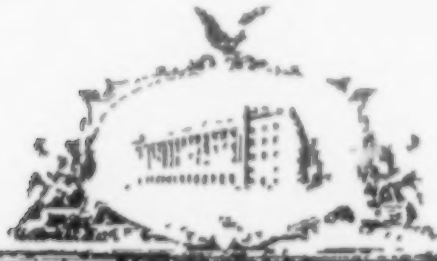
>
-----end message-----

JOINT TRIAL EXHIBIT NO 1041



THE UNITED STATES OF AMERICA

TO ALL TO WHOM THESE PRESENTS SHALL COME

UNITED STATES DEPARTMENT OF COMMERCE

United States Patent and Trademark Office

[illegible]

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[illegible]

ISSUE DATE [illegible]

[illegible]

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JOINT TRIAL EXHIBIT NO 1041

APLE [illegible]

US00D593087S

(12) United States Design Patent
Andre et al

(10) Patent No US D593,087 S

(45) Date of Patent ** May 26, 2009

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(54) ELECTRONIC DEVICE

(75) Inventors
Bartley K Andre, Menlo Park, CA (US), Daniel J Coster, San Francisco, CA (US), Daniele De Iuliis, San Francisco, CA (US), Richard P Howarth, San Francisco, CA (US), Jonathan P Ive, San Francisco, CA (US), Steve Jobs, Palo Alto, CA (US), Duncan Robert Kerr, San Francisco, CA (US), Shin Nishibori, San Francisco, CA (US), Matthew Dean Rohrbach, San Francisco, CA (US), Douglas B Satzger, Menlo Park, CA (US), Calvin Q Seid, Palo Alto, CA (US), Christopher J Stringer, Portola Valley, CA (US), Eugene Antony Whang, San Francisco, CA (US), Rico Zorkendorfer, San Francisco, CA (US)

(73) Assignee Apple Inc , Cupertino, CA (US)

(**) Term 14 Years

(21) Appl No 29/282,833

(22) Filed Jul 30, 2007

Related US Application Data

(63) Continuation of application No 29/270,880, filed on Jan 5, 2007, now Pat No Des 558,756

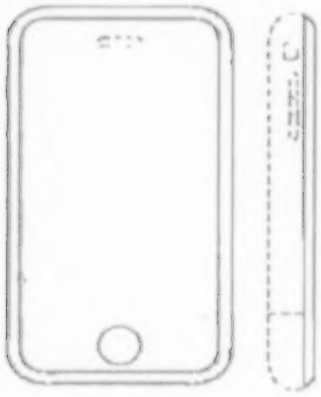
(51) LOC (9) Cl 14-03

(52) U S Cl . D14/341, D14/203 7, D14/138 G

(58) Field of Classification Search D14/137,

D14/138, 147, 191, 218, 247-248, 341-347,
D14/496,138 R, 138 AA, 138 AB, 138 AC, D14/138
AD, 138 C, 138 G, D10/65, 78, D10/104, D13/168,
D18/7, 455/556 1, 455/566, 575 1, 575 3; 345/169

See application file for complete search history



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Primary Examiner—Jeffrey D Asch

Assistant Examiner—Bridget L Eland

(74) Attorney, Agent, or Firm—Sterne, Kessler, Goldstein & Fox P L L C

(57) CLAIM

The ornamental design of an electronic device, substantially as shown and described

DESCRIPTION

FIG 1 is a front perspective view of an electronic device in accordance with the present invention,

FIG 2 is a rear perspective view of the electronic device in FIG 1,

FIG 3 is a front view thereof,

FIG 4 is a rear view thereof,

FIG 5 is a top view thereof,

FIG 6 is bottom view thereof,

FIG. 7 is a left side view thereof,

FIG 8 is a right side view thereof,

FIG 9 is a front perspective view of another embodiment of an electronic device in accordance with the present invention,

FIG 10 is a rear perspective view of the electronic device in FIG 9,

FIG 11 is a front view thereof,

FIG 12 is a rear view thereof,

FIG 13 is a top view thereof,

FIG 14 is bottom view thereof,

FIG 15 is a left side view thereof,

FIG 16 is a right side view thereof,

FIG 17 is a front perspective view of another embodiment of an electronic device in accordance with the present invention,

FIG 18 is a rear perspective view of the electronic device in FIG 17,

FIG 19 is a front view thereof,

FIG 20 is a rear view thereof,

FIG 21 is a top view thereof,

FIG 22 is bottom view thereof,

FIG 23 is a left side view thereof,

FIG 24 is a right side view thereof,

FIG 25 is a front perspective view of another embodiment of an electronic device in accordance with the present invention,

FIG 26 is a rear perspective view of the electronic device in FIG 25,

FIG 27 is a front view thereof,

FIG 28 is a rear view thereof,

FIG 29 is a top view thereof,

FIG 30 is bottom view thereof,

FIG 31 is a left side view thereof,

FIG 32 is a right side view thereof,

FIG 33 is a front perspective view of another embodiment of an electronic device in accordance with the present invention,

FIG 34 is a rear perspective view of the electronic device in FIG 33,

FIG 35 is a front view thereof,

FIG 36 is a rear view thereof,

FIG 37 is a top view thereof,

FIG 38 is bottom view thereof,

FIG 39 is a left side view thereof,

FIG 40 is a right side view thereof,

FIG 41 is a front perspective view of another embodiment of an electronic device in accordance with the present invention,

FIG 42 is a rear perspective view of the electronic device in FIG 41,

FIG 43 is a front view thereof,

FIG 44 is a rear view thereof,

FIG 45 is a top view thereof,

FIG 46 is bottom view thereof,

FIG 47 is a left side view thereof, and,

FIG 48 is a right side view thereof

The broken lines showing the remainder of the electronic device are directed to environment The broken lines, within the claimed design, in embodiments 1, 2, and 4 that depict an elongated oval shape and the broken lines, within the claimed design, in embodiments 2, 3, and 6 that depict a circle shape are superimposed on a continuous surface and are for illustrative purposes only The broken lines, within the claimed design, in embodiments 1, 3, and 5 that depict a large rectangular shape, indicate a non claimed shape below the continuous front surface and are for illustrative purposes only None of the broken lines form a part of the claimed design

1 Claim, 12 Drawing Sheets

FIG 1

FIG 2

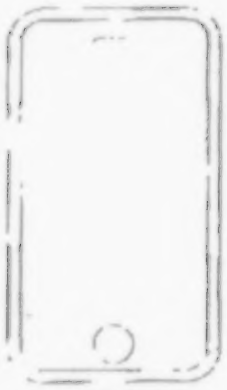

FIG 3

FIG 4

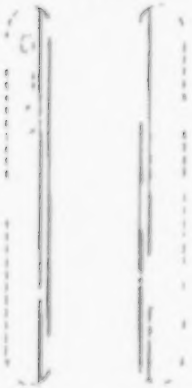

FIG 7

FIG 8

FIG 5

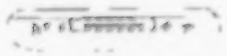

FIG 6

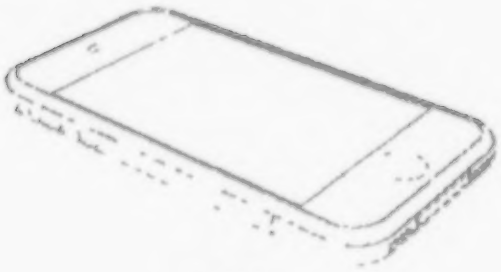

FIG 9

FIG 10

FIG 11

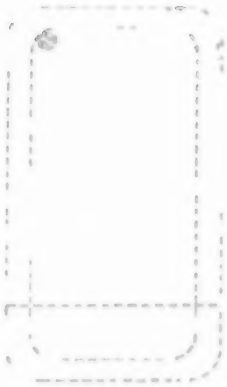

FIG 12

FIG 13

FIG 14

FIG 15

FIG 16

FIG 17

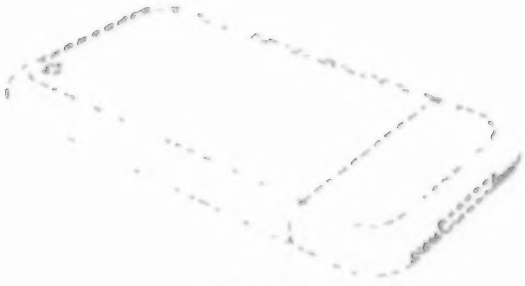

FIG 18

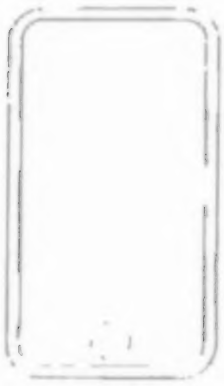

FIG 19

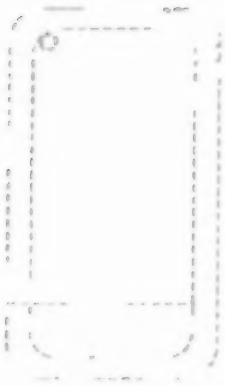

FIG 20

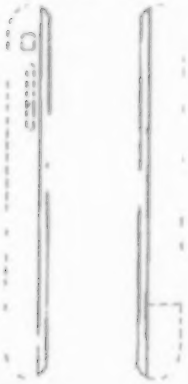

FIG 23

FIG 24

FIG 21

FIG. 22

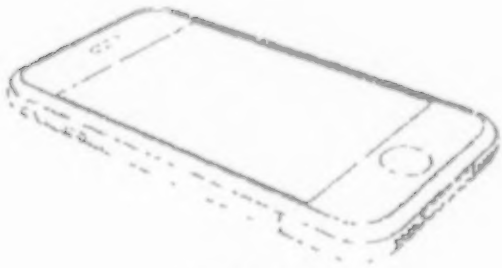

FIG 25

FIG 26

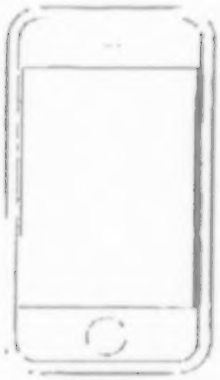

FIG 27

FIG 28

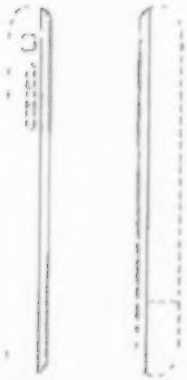

FIG 31

FIG 32

FIG 29

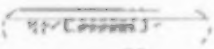

FIG 30

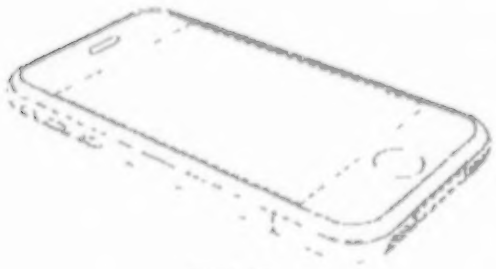

FIG 33

FIG 34

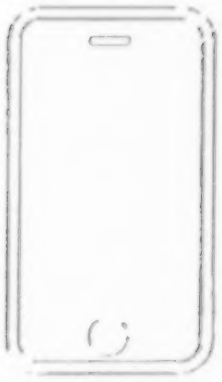

FIG 35

FIG 36

FIG 37

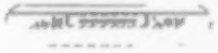

FIG 38

FIG 39

FIG 40

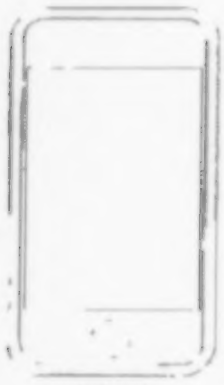

FIG 43

FIG 44

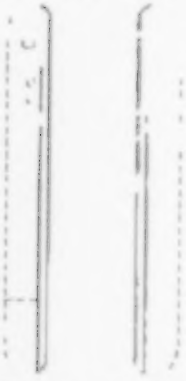

FIG 47

FIG 48

FIG 45

FIG 46

JOINT TRIAL EXHIBIT NO 1042

THE UNITED STATES OF AMERICA

TO ALL TO WHOM THESE PRESENTS SHALL COME

UNITED STATES DEPARTMENT OF COMMERCE

[illegible]

[illegible]

THIS IS TO CERTIFY THAT ANNEXED HERETO IS A TRUE COPY FROM [illegible]

[illegible]

[illegible]

[illegible]

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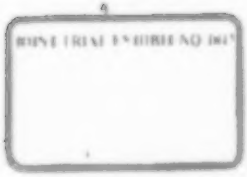
JOINT TRIAL EXHIBIT NO 1042



APLNDC00030421

US00D604305S

(12) United States Design Patent
Andre et al

(10) Patent No US D604,305 S

(45) Date of Patent: ** *Nov 17, 2009

---

(54) GRAPHICAL USER INTERFACE FOR A DISPLAY SCREEN OR PORTION THEREOF

(75) Inventors Freddy Anzures, San Francisco, CA (US), Imran Chaudhri, San Francisco, CA (US)

(73) Assignee Apple Inc , Cupertino, CA (US)

(**) Term 14 Years

(21) Appl No 29/281,460

(22) Filed Jun. 23, 2007

(51) LOC (9) Cl 32-00

(52) U S CL D14/486

(58) Field of Classification Search D14/485-95, D18/24-33, D19/6, 52, D20/11, D21/324-33, 715/700-867, 973-77
See application file for complete search history

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(Continued)

Primary Examiner-Melanie H Tung

(74) *Attorney, Agent,* or *Firm*-Sterne, Kessler, Goldstein & Fox P L.L C

(57) CLAIM

The ornamental design for a graphical user interface for a display screen or portion thereof, as shown and described

DESCRIPTION

The patent file contains at least one drawing executed in color Copies of this patent with a color drawing will be provided by the Office upon request and payment of the necessary fee

FIG 1 is a front view of a graphical user interface for a display screen or portion thereof showing our new design, and,

FIG 2 is a front view of a second embodiment thereof

The broken line showing of a display screen in both views forms no part of the claimed design

1 Claim, 2 Drawing Sheets
(1 of 2 Drawing Sheet(s) Filed in Color)

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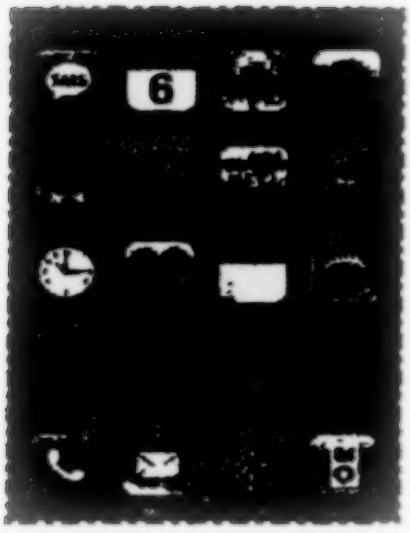


FIG. 1

FIG. 2

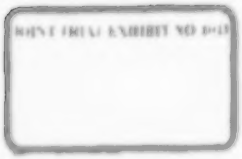
Replacement Sheet
Sheet 1 of 2
Appl No 29/281,460, Filed June 23, 2007
Dkt No 2607 0100000(P5548US1); Group Unit. 2911
Tel No 202-371-2600
For Graphical User Interfaces For A Display Screen or Portion Thereof *(as amended)*

FIG. 1

Replacement Sheet
Sheet 2 of 2
Appl No 29/281,460, Filed June 23, 2007
Dkt No 2607 0100000(P5548US1), Group Unit 2911
Tel No 202-371-2600
For Graphical User Interfaces For A Display Screen or Portion Thereof *(as amended)*

FIG. 2

JOINT TRIAL EXHIBIT NO 1043



US00D618677S

(12) United States Design Patent
Andre et al

(10) Patent No US D618,677 S

(45) Date of Patent ** *Jun 29, 2010

---

(54) ELECTRONIC DEVICE

(75) Inventors
Bartley K Andre, Menlo Park, CA (US),
Daniel J Coster, San Francisco, CA (US),
Daniele De Iuliis, San Francisco, CA (US);
Richard P Howarth, San Francisco, CA (US),
Jonathan P Ive, San Francisco, CA (US),
Steve Jobs, Palo Alto, CA (US), Duncan Robert Kerr, San Francisco, CA (US), Shin Nishibori, Portola Valley, CA (US), Matthew Dean Rohrbach, San Francisco, CA (US), Douglas B Satzger, Menlo Park, CA (US), Calvin Q. Seid, Palo Alto, CA (US), Christopher J Stringer, Woodside, CA (US), Eugene Antony Whang, San Francisco, CA (US), Rico Zorkendorfer, San Francisco, CA (US)

(73) Assignee Apple Inc , Cupertino, CA (US)

(*) Notice This patent is subject to a terminal disclaimer

(**) Term 14 Years

(21) Appl No 29/328,018

(22) Filed Nov 18, 2008

Related U S Application Data

(60) Division of application No. 29/282,834, filed on Jul 30, 2007, now Pat No Des 581,922, which is a continuation of application No 29/270,888, filed on Jan 5, 2007, now Pat No Des 558,758

(51) LOC (9) CI 14-02

(52) U S CL D14/341, D14/248, D14/203 7

(58) Field of Classification Search D14/341, D14/342, 343, 344, 345, 346, 347, 420, 426, D14/427, 432, 439, 440, 441, 448. 496, 125, D14/137, 129, 130, 138, 250, 389, 147, 218, D14/247, 248, 156, D10/65, 104, D13/168, D18/6, 7, D21/329, 686, 455/90 3, 556 1, 455/556 2, 575 1, 575 3, 575 4, 379/433 01, 379/433 04, 433 06, 433 07, 361/814, 341/22, 345/169, 173, D6/596, 601, 605

See application file for complete search history

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Primary Examiner-Cathron C Brooks

Assistant Examiner-Angela J Lee

(74) *Attorney, Agent, or Firm*-Sterne, Kessler, Goldstein & Fox PLLC

(57) CLAIM

The ornamental design of an electronic device, as shown and described

DESCRIPTION

FIG 1 is a front perspective view of an electronic device in accordance with the present invention,

FIG 2 is a rear perspective view thereof,

FIG 3 is a front view thereof,

FIG 4 is a rear view thereof,

FIG 5 is a top view thereof,

FIG 6 is bottom view thereof,

FIG 7 is a left side view thereof, and,

FIG S is a right side view thereof

The claimed surface of the electronic device is illustrated with the color designation for the color black

The electronic device is not limited to the scale shown herein As indicated in the title, the article of manufacture to which the ornamental design has been applied is an electronic device, media player (e.g , music, video and/or game player), media storage device, a personal digital assistant, a communication device (e g , cellular phone), a novelty item or toy.

1 Claim, 2 Drawing Sheets

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U.S. Patent Jun. 29, 2010 Sheet 1 of 2 US D618,677 S

FIG. 1

FIG 2

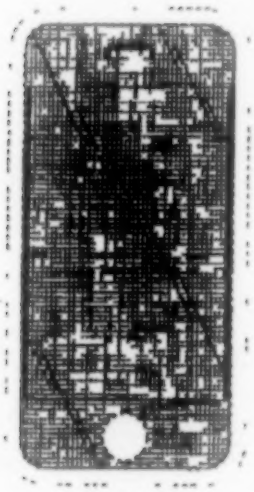

FIG. 3

FIG. 4

FIG 7

FIG 8

FIG. 5

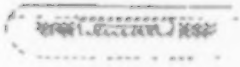

FIG 6

Supreme Court, U.S.
FILED
JUN 1 - 2016
OFFICE OF THE CLERK

No. 15-777

IN THE

Supreme Court of the United States

SAMSUNG ELECTRONICS CO., LTD., SAMSUNG ELECTRONICS AMERICA, INC., AND SAMSUNG TELECOMMUNICATIONS AMERICA, LLC,
Petitioners,

v.

APPLE INC.,
Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

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QUESTION PRESENTED

Section 171 of the Patent Act authorizes issuance of a design patent on "any new, original and ornamental design for an article of manufacture." 35 U.S.C. 171. Section 289 of the Patent Act authorizes district courts to award infringer's profits as a remedy for design-patent infringement "to the extent of [an infringer's] total profit, but not less than $250," provided that a design-patent holder "shall not twice recover the profit made from the infringement." 35 U.S.C. 289.

The Federal Circuit held that Section 289, if elected as a remedy, automatically entitles a design-patent holder to recover all of an infringer's profits made from sales of any product found to bear a patented design, without regard to the design's contribution to that product's value or sales. The question presented is:

Where a patented design is applied only to a component of a product, should an award of infringer's profits be limited to profits attributable to that component?

RULE 29.6 STATEMENT

Samsung Electronics America, Inc. ("SEA") is a wholly-owned subsidiary of Samsung Electronics Co., Ltd. ("SEC"), a publicly held corporation organized under the laws of the Republic of Korea. SEC is not owned by any parent corporation and no other publicly held corporation owns 10% or more of its stock. No other publicly held corporation owns 10% or more of SEA's stock. Effective January 1, 2015, Samsung Telecommunications America, LLC ("STA") merged with and into SEA, and therefore STA no longer exists as a separate corporate entity.

TABLE OF CONTENTS

	Page
QUESTION PRESENTED	i
RULE 29.6 STATEMENT	ii
TABLE OF AUTHORITIES	vi
INTRODUCTION	1
OPINIONS BELOW	3
JURISDICTION	3
CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED	4
STATEMENT	4
A. Factual Background	4
B. Statutory Background	11
1. Patent Acts Prior To 1887	11
2. The *Dobson* Cases	11
3. The Patent Act Of 1887	12
4. The Patent Acts Of 1922 And 1946	15
5. The Patent Act Of 1952	15
C. Regulatory Background	17
D. Proceedings Below	19
1. District Court Proceedings	19
2. The Federal Circuit Decision	22
SUMMARY OF ARGUMENT	24
ARGUMENT	27

TABLE OF CONTENTS—Continued

Page

I. SECTION 289 ALLOWS ONLY TOTAL PROFIT ATTRIBUTABLE TO INFRINGEMENT OF THE PATENTED DESIGN ... 27

A. The Text Of Section 289 Allows Only Total Profit Attributable To Infringement Of The Patented Design 28

1. "Article Of Manufacture" To Which The Design Is "Applied" 28

2. "Made From The Infringement" 34

3. Background Principles Of Causation And Equity 35

B. Section 289's History Shows Congress's Purpose To Allow Only Total Profit Attributable To Infringement Of The Patented Design 40

1. The 1887 Congress Sought To Ensure Meaningful Recovery For Infringement Of Patented Designs By Decorative Articles Whose Value Was Driven By Design 40

2. Post-1887 Legislative Developments Confirm Section 289's Narrow Purpose 43

C. Practical Consequences Counsel Interpreting Section 289 As Allowing Only Total Profit Attributable To Infringement Of The Patented Design 44

TABLE OF CONTENTS—Continued

Page

1. The Entire-Profits Rule Would Create Disproportionate Awards And Risk Multiple Recoveries 45

2. The Entire-Profits Rule Would Harm Innovation, Competition And Small Businesses 47

3. Section 289 Provides A Practical Alternative To Section 284 Even As Properly Limited 52

II. THE PROPER CONSTRUCTION OF SECTION 289 NECESSITATES REVERSAL OR VACATUR OF THE JUDGMENT BELOW 53

A. The Record Contains No Proof Of Total Profit From The Relevant Articles Of Manufacture 54

B. The Record Contains No Proof Of Total Profit Made From The Infringement 57

C. At A Minimum, A New Trial Is Necessary 58

CONCLUSION 60

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INTRODUCTION

The Federal Circuit interpreted Section 289 of the Patent Act as requiring Samsung to pay its entire profits on eleven smartphones for infringing Apple's narrow design patents on portions of a smartphone's front face and a grid of colorful icons on a single display screen. There is no dispute that Samsung's phones embody hundreds of thousands of other patented features that Apple does not own, or that consumers buy smartphones for their functional technologies—their apps, their cameras, their web capabilities, their navigation functions—and not as decorative objects to be used as paperweights or hung on a wall.

But the Federal Circuit read Section 289 as entitling a design-patent holder to nothing less than the entire profits on a product bearing a patented design—no matter how minor the component to which the design is applied and no matter how little the design contributes to the product's overall value. Under the Federal Circuit's rule, an infringer of a patented cup-holder design must pay its entire profits on a car, an infringer of a patented marine-windshield design must pay its entire profits on a boat, an infringer of a patented, preinstalled musical-note icon design must pay its entire profits on a computer, and so on.

The Federal Circuit's entire-profits rule conflicts with the text, history, and purpose of Section 289. In authorizing an infringer's profits remedy for design-patent infringement, Section 289 is naturally read to limit any such recovery to total profit from the "article of manufacture" to which the design is "applied" and to total profit "made from the infringement." Under those two clear textual limitations, recovery for infringement of a claimed design that covers only a

component of a product is limited to total profit from the component, not total profit from the product.

The relevant legislative history confirms that, in enacting Section 289's predecessor, Congress intended no wholesale departure from the traditional principles of causation and equity that inform all of patent law To the contrary, the proponents of the 1887 Patent Act stated that they intended no such result, but aimed merely to afford meaningful recovery to holders of design patents for carpets, wallpapers and oil-cloths. While Congress determined that such articles derive their value from their design, it made no similar assumption about complex products like smartphones, whose value is overwhelmingly driven by functionality.

The Federal Circuit's automatic entire-profits rule would have disastrous practical consequences that Congress surely did not intend. The rule would create extreme asymmetry between design patents and utility patents, which are governed by ordinary rules of causation and proportionality. By making the most trivial design patent worth exponentially more than the most innovative utility patent, the rule would distort the patent system and harm innovation and competition. The rule would encourage companies to divert research and development from useful technologies to ornamental designs. It would encourage design-patent holders to litigate even weak infringement claims in a quest for outsized awards. And it would encourage non-practicing entities to use design patents as the next big thing for extracting holdup value from targeted businesses, with such extortionate demands posing especially grave threats to small businesses for whom a single design misstep could be

an existential threat. Congress could not have intended any of these results.

The judgment below should be reversed or at a minimum vacated and remanded for new trial.

OPINIONS BELOW

The opinion of the U.S. Court of Appeals for the Federal Circuit (Pet. App. 1a-36a) is reported at 786 F.3d 983. The order of the court of appeals denying rehearing *en banc* (Pet. App. 154a-155a) is unreported. The order of the U.S. District Court for the Northern District of California denying in relevant part Samsung's post-trial motion for judgment as a matter of law, new trial or remittitur (Pet. App. 114a-153a) is reported at 926 F Supp. 2d 1100. The district court's order denying similar motions after partial retrial (J.A. 340-47) is unreported but available at 2014 WL 549324 (N.D. Cal. Feb. 7, 2014).

JURISDICTION

The court of appeals denied rehearing *en banc* on August 13, 2015. Pet. App. 154a-155a. Samsung filed its petition for a writ of certiorari on December 14, 2015, pursuant to the Chief Justice's order extending the time in which to file. The Court granted the petition on March 21, 2016, limited to the second question presented therein (Pet. i).

The Court has jurisdiction under 28 U.S.C. 1254(1).

CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

U.S. Constitution art. I, § 8, cl. 8 provides in pertinent part that:

> The Congress shall have Power ... To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.

Relevant provisions of the Patent Act, 35 U.S.C. 1, et seq., are reproduced at Pet. App. 156a-158a.

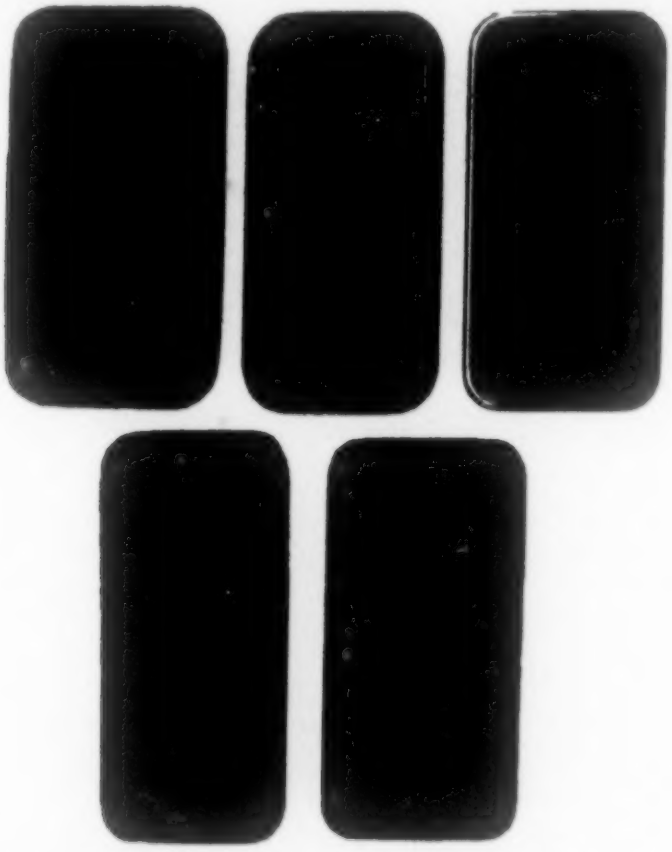
STATEMENT

This case arises from the award of $399 million—the entirety of Samsung's profits on eleven accused smartphones—for infringement of two narrow Apple design patents. Samsung faces the potential award of its entire profits on an additional five phones in a partial damages retrial that has been stayed pending resolution of the question presented here. The courts below held that Section 289 of the Patent Act automatically entitles a design-patent holder to an award of the infringer's total profit on the entire product as sold—no matter how partial the patent or how limited the contribution of the patented feature to the product's value or sales.

A. Factual Background

As this Court has acknowledged, smartphones have become "a pervasive and insistent part of daily life" for "a significant majority of American adults." *Riley v. California*, 134 S. Ct. 2473, 2484 (2014). Samsung has long been an industry leader in the field of mobile

phones, which it has made and sold since 1988.[1] Samsung was the first mobile-phone manufacturer, for example, to introduce devices that incorporated cameras, MP3 music players, and voice recognition.[2] Before Apple's iPhone ever entered the market, Samsung had developed mockups and prototypes for round-cornered rectangular flat-screened smartphones, including ones that showed grids of icons:



J.A. 248-56; J.A. 264; J.A. 506; *see* J.A. 260; J.A. 523.

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[1] *See Samsung Handsets Through The Ages: A Photo Tour of Phone Firsts*, ZDNET (May 28, 2015), http://www.zdnet.com/pictures/samsung-handsets-through-the-ages-a-photo-tour-of-phone-firsts/.

[2] J.A. 136-37; *see also Vintage Mobiles*, GSM HISTORY, http://www.gsmhistory.com/vintage-mobiles/.

Apple, by contrast, was a latecomer to the mobile-phone industry, announcing the iPhone in January 2007 and launching it in June 2007.[3] And while Samsung launched around 50 new models a year, at times selling over 100 different phone models at once through numerous carriers (J.A. 133; J.A. 143-44), Apple offered only one new product a year, selling only through AT&T until it slowly added other carriers years later (J.A. 133; J.A. 139-40).

The three narrow Apple design patents at issue in this case claim only partial features of a smartphone's design. While Apple often speaks as if the patents cover the "iconic" "look and feel" of the entire iPhone, the patents in fact claim neither something "iconic" nor any kind of "look and feel." They rather claim only the limited subject matter depicted within the solid lines in the drawings below. The broken lines indicate features that Apple specifically disclaims—or in other words, that Apple concedes are outside the patents' protected scope.

Apple's D618,677 ("D'677") patent claims a black, rectangular front screen face with rounded corners but specifically disclaims the surrounding rim or "bezel," the circular home button on the front, and the sides, top, bottom and back of the device (*i.e.*, the rest of the phone):

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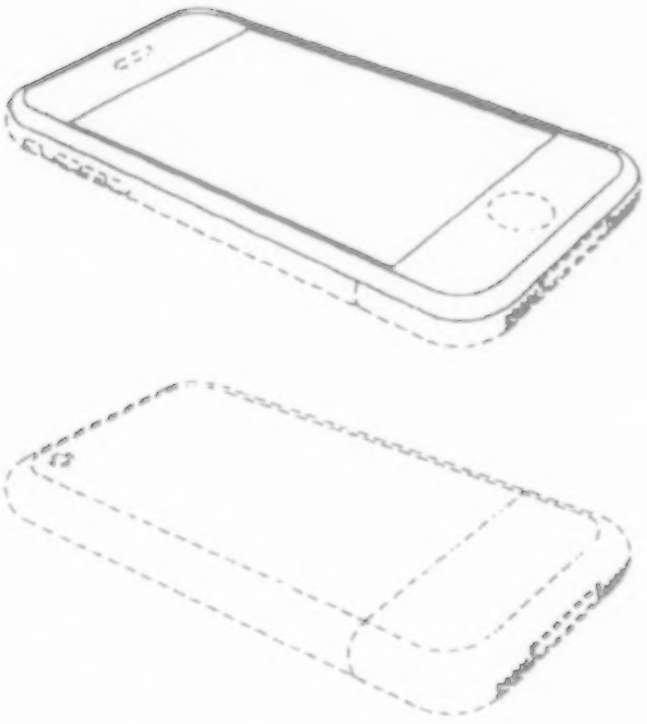
[3] *E.g.*, Mike Musgrove, *Apple Seeks To Muscle Into Telecom With iPod Phone*, WASHINGTON POST, Jan. 10, 2007, at D1, *available at* http://www.washingtonpost.com/wp-dyn/content/article/2007/01/09/AR2007010900698.html.

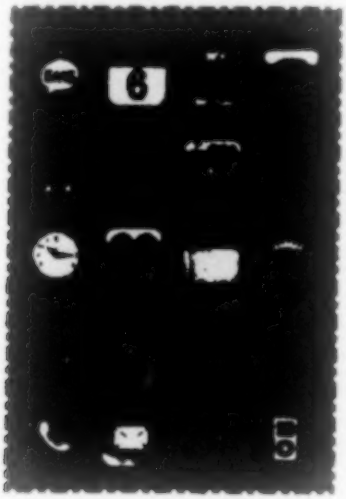
J.A. 577

Apple's D593,087 ("D'087") patent, like the D'677, claims a rectangular front face with rounded corners, minus the black shading and with the addition of a bezel; the patent specifically disclaims the sides, back, top, and bottom of the device (*i.e.*, the rest of the phone), as well as features on the front, such as the circular home button:



J.A. 544.

Apple's D604,305 ("D'305") patent claims a specific grid of colorful icons that may appear on one of the many graphical user interface screens a phone may display; the patent specifically disclaims every attribute of a smartphone except that specific display:



J.A. 564.

At trial, Apple's experts repeatedly confirmed that each of the asserted design patents claims only narrow, specific portions of a smartphone's overall design. *See, e.g.*, J.A. 149-53 (Bressler) (D'677 and D'087); J.A. 169-70, 174-76 (Kare) (D'305).

Apple made no effort below to prove that Samsung's entire profits on the accused phones resulted from the narrow design features claimed in its three design patents. Nor could it, for Apple has never disputed that smartphones derive their value principally from functionality. For example, in patent license discussions preceding this lawsuit, Apple asserted to Samsung that "*[s]oftware* creates the largest share of product value" and that the "[o]perating system, applications, user interface, and services are the key to a differentiated customer experience." J.A. 494 (some emphasis omitted).

Moreover, the undisputed evidence in the record shows that consumers purchased Samsung and other Android[4] phones overwhelmingly because of their functional, *non*-design features. For example, Apple's own market research showed that purchasers of Android phones valued the functional and other *non*-design features those phones offered, including (i) larger screens, (ii) choice of wireless carrier, (iii) trust in the Google brand, (iv) the Android app market, (v) integrated Google services, and (vi) turn-by-turn GPS navigation. J.A. 486-87 Apple's own customers, moreover, rated the iPhone's functional features like web capabilities, ease of use, availability of apps, and

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[4] Android is an operating system for mobile devices, developed by Google and available for free use by manufacturers. *See, e.g.*, Clark D. Asay, *Copyright's Technological Interdependencies*, 18 STAN. TECH. L. REV. 189, 228-29 (2015).

improved battery life as more valuable than "attractive appearance and design." J.A. 465-68; J.A. 474. And, according to additional Apple market data, a phone's "design" in general was a reason for only 1% of Apple purchases and 5% of Android purchases, far below other considerations such as services, multimedia functions, ease of use, and brand. J.A. 355; J.A. 505.

Apple's survey data about smartphone purchases across the industry likewise showed that the top features consumers valued were screen quality, access to email and the web, larger screens, operating system, brand, video cameras, GPS location services and navigation, video conferencing, and multiple cameras. J.A. 485. Although third-party data also showed that "physical design" rated as having 23% importance in consumer purchasing decisions for smartphones, that category predominantly comprised considerations like the size or brightness of the display screen, or the size and weight of the phone itself. J.A. 438. In contrast, "visual appeal" had just 5% importance overall. *Id.*

Finally, Samsung's chief strategy officer confirmed that, after Samsung adopted Google's Android operating system for its flagship Galaxy products and began offering larger screens than Apple, its share of the smartphone market rose considerably. J.A. 144-47; *see also* J.A. 231-32; J.A. 302.[5]

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[5] *See also, e.g.*, Alex Cocotas, *Samsung Maintains Lead In The Smartphone Market, Despite iPhone 5*, BUSINESS INSIDER AUSTRALIA (Feb. 9, 2013), http://www.businessinsider.com.au/samsung-is-the-smartphone-king-2013-2; Kent German, *A Brief History of Android Phones*, CNET (Aug. 2, 2011), http://www.cnet.com/news/a-brief-history-of-android-phones/.

B. Statutory Background

Section 289 of the Patent Act codifies, as modified, a provision added to the Patent Act in 1887 The history of the provision warrants brief review.

1. Patent Acts Prior To 1887

The earliest Patent Acts provided only for remedies at law. *See, e.g.*, Act of April 10, 1790, Ch. 7, § 4, 1 Stat. 109, 111. In 1819, Congress provided for injunctive relief for patent infringement. *See* Act of Feb. 15, 1819, Ch. 19, 3 Stat. 481. Equity courts held that they could also award an accounting of infringer's profits. *See, e.g.*, *Stevens v. Gladding*, 58 U.S. 447, 455 (1855). In 1870, Congress provided that equity courts could also award legal damages in patent cases. *See* Act of July 8, 1870, Ch. 230, § 59, 16 Stat. 198, 207

While the holder of a patent claiming an entire machine could recover in equity profits on the entire machine, *e.g.*, *Dean v. Mason*, 61 U.S. 198, 203 (1857), the holder of a partial ("improvement") patent was required "'to separate or apportion the defendant's profits and the patentee's damages between the patented feature and the unpatented features,'" or to show that "'the profits and damages are to be calculated on the whole machine, for the reason that the entire value of the whole machine, as a marketable article, is properly and legally attributable to the patented feature.'" *Garretson v. Clark*, 111 U.S. 120, 121 (1884) (quoting *Garretson v. Clark*, 10 F Cas. 40, 44 (C.C.N.D.N.Y. 1878)).

2. The *Dobson* Cases

In 1885, a consolidated set of design-patent cases reached this Court. *See Dobson v. Hartford Carpet Co.*, 114 U.S. 439 (1885); *see also Dobson v. Dornan*,

118 U.S. 10 (1886). The patent-holders sought to enforce patents claiming intricate carpet designs. *See Dobson*, 114 U.S. at 440.[6] Having initially sought disgorgement of infringer's profits as well as legal damages, *id.* at 441, the plaintiffs waived all claim for infringer's profits because the defendants had made no profits, and each thus sought only lost-profits damages, *id.* at 441-43. A special master rejected the plaintiffs' efforts to prove those damages by multiplying the number of infringing units the defendants had sold by the plaintiffs' own profit margins, and thus awarded nominal damages of six cents per patent. *Id.* at 441-42. The circuit court reversed. *Bigelow Carpet Co. v. Dobson*, 10 F 385 (C.C.E.D. Pa. 1882).

This Court reversed the circuit court and reinstated the special master's award, finding the proof insufficient to show non-speculative lost profits. *Dobson*, 114 U.S. at 444-47; *see also Dobson*, 118 U.S. at 16-18 (similar). Citing *Garretson*, the Court held that the patent-holders had failed to show, as a basis for calculating their lost profits, either the likelihood that they would have sold the same number of carpets as defendants had or the "value which the designs contributed to the carpets." *Dobson*, 114 U.S. at 443.

3. The Patent Act Of 1887

In response to concerns about the *Dobson* cases, Congress enacted the Patent Act of 1887. The act

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[6] The carpet patents, U.S. Patent Nos. D6,822 (filed Aug. 8, 1873); D10,778 (filed July 24, 1878); D10,870 (filed Sept. 10, 1878); and D11,074 (filed Feb. 12, 1879), are available at http://pdfpiw.uspto.gov/.piw?Docid=D0006822; http://pdfpiw.uspto.gov/.piw?Docid=D0010778; http://pdfpiw.uspto.gov/.piw?Docid=D0010870; and http://pdfpiw.uspto.gov/.piw?Docid=D0011074, respectively.

added the following civil remedy for design-patent infringement:

> [H]ereafter, during the term of letters patent for a design, it shall be unlawful for any person other than the owner of said letters patent, without the license of such owner, to apply the design secured by such letters patent, or any colorable imitation thereof, to any article of manufacture for the purpose of sale, or to sell or expose for sale any article of manufacture to which such design or colorable imitation shall, without the license of the owner, have been applied, knowing that the same has been so applied. Any person violating the provisions, or either of them, of this section, shall be liable in the amount of two hundred and fifty dollars; and in case the total profit made by him from the manufacture or sale, as aforesaid, of the article or articles to which the design, or colorable imitation thereof, has been applied, exceeds the sum of two hundred and fifty dollars, he shall be further liable for the excess of such profit over and above the sum of two hundred and fifty dollars....
>
> [N]othing in this act contained shall prevent, lessen, impeach, or avoid any remedy at law or in equity which any owner of letters patent for a design, aggrieved by the infringement of the same, might have had if this act had not been passed; but such owner shall not twice recover the profit made from the infringement.

Act of Feb. 4, 1887, Ch. 105, §§ 1, 2, 24 Stat. 387, 387-88.

The legislative history reveals three key points. *First*, the act's proponents viewed the new statute as applying to decorative items like "carpets and wall-papers and oil-cloths." H.R. REP. NO. 49-1996, at 3 (1886); *see* 18 CONG. REC. 834-36 (1887) (House floor debate referring repeatedly to carpets, oil-cloths and wall-papers). The act's proponents expressly assumed that designs drove consumer demand for those goods. *See* 18 CONG. REC. 835 (statement of Rep. Martin) ("[I]f it had not a design which attracted the eye and made it desirable, then no one would think of buying the carpet.").

Second, the act's proponents were concerned that proof difficulties left holders of design patents on goods like carpets with "no effectual money recovery for infringement," H.R. REP. NO. 49-1966, at 1, discouraging applications for design patents, *see id.*; S. REP. NO. 49-206, at 1 (1886). Thus, they provided for a statutory floor of $250 "in liquidated damages." 18 CONG. REC. 836 (statement of Rep. Martin).

Third, the act's proponents assured potential opponents that they intended no departure from ordinary principles of causation and equity. For example, when Representative Hammond asked whether entire profits could be awarded "whether those profits arise from the use of the design alone or from various other circumstances which may enter into the manufacture," Representative Martin replied that "no such purpose was had in view by anyone who favored or urged the passage of the bill." *Id.* at 835. And when Representative Hammond asked whether "the plaintiff may recover the entire profit upon the article of product, without any proof that this arises from the use of the design in question," Representative Martin

responded, "I can not put any such construction on this law." *Id.*

Moreover, in floor debate, several speakers emphasized that the proposed act, which contained an express knowledge requirement, was limited to cases of "willful" appropriation of a patented design. *Id.* at 836 (colloquies between Representative Martin and Representatives Butterworth and Croxton).

4. The Patent Acts Of 1922 And 1946

In 1922, Congress revised the general remedies provision for patent infringement to allow a "reasonable sum" rather than nominal damages as the floor for actual damages. Act of Feb. 21, 1922, Ch. 58, § 8, 42 Stat. 389, 392.

In 1946, Congress further amended the general patent remedies provision to establish a "reasonable royalty" as a statutory floor for patent infringement damages under what is now 35 U.S.C. 284. Act of Aug. 1, 1946, Ch. 726, § 1, 60 Stat. 778. The 1946 Act also eliminated infringer's profits as a general patent remedy, *see Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476, 505-06 (1964) (plurality opinion), but made no change to the design-patent infringer's-profits provision.

5. The Patent Act Of 1952

In 1952, Congress revised and codified various provisions of the Patent Act. The amended version of the design-patent infringer's profits provision, codified at 35 U.S.C. 289, states:

> Whoever during the term of a patent for a design, without license of the owner, (1) applies the patented design, or any colorable imitation thereof, to any article of manufacture for

> the purpose of sale, or (2) sells or exposes for sale any article of manufacture to which such design or colorable imitation has been applied shall be liable to the owner to the extent of his total profit, but not less than $250, recoverable in any United States district court having jurisdiction of the parties.
>
> Nothing in this section shall prevent, lessen, or impeach any other remedy which an owner of an infringed patent has under the provisions of this title, but he shall not twice recover the profit made from the infringement.

Act of July 19, 1952, Ch. 950, § 289, 66 Stat. 792, 813-14.

Like its 1887 predecessor, Section 289 imposes liability on one who "applies" a design to an "article of manufacture," provides a $250 statutory floor for recovery, and specifies that a patent-holder may not "twice recover the profit made from the infringement." The 1952 statute, however, differs from its 1887 predecessor in two notable respects. *Compare id. with* Act of Feb. 4, 1887, 24 Stat. at 387-88.

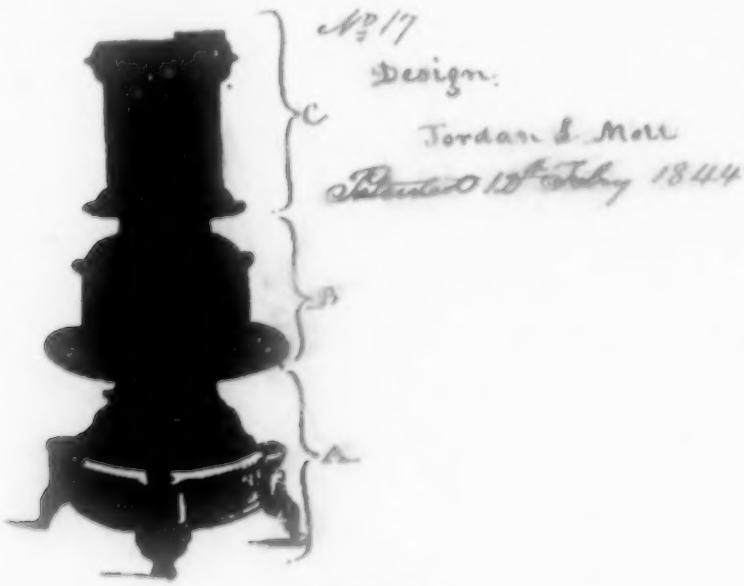
First, the 1952 statute strikes the phrase "knowing that the same has been so applied," making Section 289 a strict-liability provision and eliminating the willfulness requirement that had played an important role in the 1887 congressional debate.

Second, the 1952 statute eliminates reference to "the total profit made ... from the manufacture or sale ... of the article or articles to which the design ... has been applied," instead adding the words "to the extent of ... total profit." By eliminating "manufacture or sale" as the source of that total profit, Section 289 left

in place only the guidance that "total profit" must be profit made from the relevant "article of manufacture" and "the profit made from the infringement."

C. Regulatory Background

Section 171 authorizes issuance of a patent to "[w]hoever invents any new, original and ornamental design for an article of manufacture." 35 U.S.C. 171. The Patent Office in the nineteenth century allowed a design-patent application to include a written claim for the entirety of a product's design and additional written claims for discrete portions of the design. *See, e.g.*, *Root v. Ball*, 20 F. Cas. 1157, 1158 (C.C.D. Ohio 1846); WILLIAM L. SYMONS, THE LAW OF PATENTS FOR DESIGNS 88-91 (1914) ("SYMONS"). For example, Design Patent No. 17 for the ornamental design of a stove included separate written claims for the top, middle, and bottom segments of a single stove design:

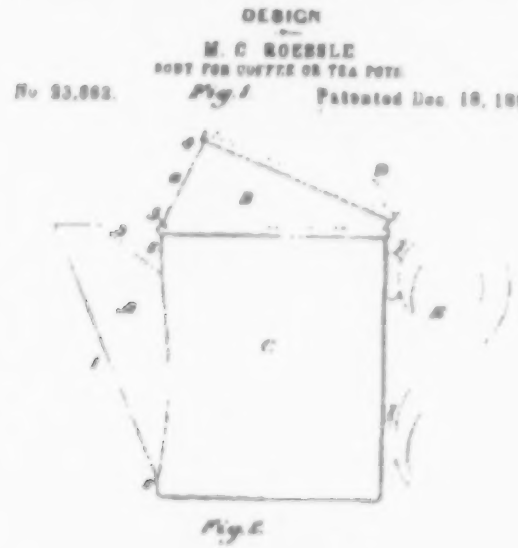


D17[7]

[7] U.S. Patent No. D17 (issued July 12, 1844), *available at* http://pdfpiw.uspto.gov/.piw?Docid=D0000017

The practice of including multiple written claims lasted until *Ex parte Wiessner*, 1898 Dec. Comm'r Pat. 236, which ruled that multiple claims in a single design patent were no longer permissible. *See* SYMONS, at 88. Patent Office practice today allows only a single claim per design patent, with the claim defined by the drawing. 37 C.F.R. 1.153 ("No description, other than a reference to the drawing, is ordinarily required. ... More than one claim is neither required nor permitted.").

The Patent Office soon began allowing design patents to use a combination of full and dotted lines, with the full lines depicting the claimed portion of the product design and the dotted lines denoting portions disclaimed by the patent. *See* SYMONS, at 95. For example, Design Patent No. D23,882, for the body of a coffee or tea pot, used dotted lines for the lid and handle "to indicate the appearance of a complete pot" though they formed "no part of the present design":


DESIGN

M. C. ROESSLE

BODY FOR COFFEE OR TEA POT.

No. 23,882. Fig. 1 Patented Dec. 18, 1894.

Fig. 2.

D23,882[8]

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[8] U.S. Patent No. D23,882 (filed Nov. 21, 1894), *available at* http://pdfpiw.uspto.gov/.piw?Docid=D0023882.

The practice of partial claiming—*i.e.*, patenting a design that covers only a portion of a product—has thus been permitted for well over a century. In 1980, the Federal Circuit's predecessor expressly approved the practice, holding that "the statute is not limited to designs for complete articles, or 'discrete' articles, and certainly not to articles separately sold." *In re Zahn*, 617 F.2d 261, 268 (C.C.P.A. 1980). Partial claiming enables issuance of multiple design patents claiming discrete portions of a single product. *See, e.g.*, Perry J. Saidman, *The Crisis in the Law of Designs*, 89 J. PAT. & TRADEMARK OFF. SOC'Y 301, 319-22 (2007).

D. Proceedings Below

1. District Court Proceedings

Apple filed this action in the U.S. District Court for the Northern District of California in 2011, alleging that 19 Samsung smartphones infringed the D'677, D'087 and/or D'305 patents.[9] After a jury trial and a partial retrial on damages, the juries awarded Samsung's entire profits on eleven smartphones to Apple for design-patent infringement. J.A. 279-80; J.A. 339; J.A. 349-50; Pet. App. 116a, 133a, 150a-151a. Of those eleven phones, six were found to infringe only the D'305 patent and four were found to infringe only the D'677 patent.[10]

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[9] Apple also asserted dilution of certain of its unregistered and registered trade dresses, and infringement of certain of its utility patents. Those aspects of the case are not at issue here.

[10] J.A. 273-76. The Captivate, Continuum, Droid Charge, Epic 4G, Gem, and Indulge were found to infringe only the D'305 patent. The Galaxy S II (AT&T), Galaxy S II (Epic 4G Touch), Galaxy S II (Skyrocket), and Galaxy S II (T-Mobile) were found to infringe only the D'677 patent. Only the Infuse 4G was found to infringe both the D'305 and D'677 patents. The D'087 patent

The district court (Koh, J.) repeatedly rejected Samsung's attempts to limit any profits award under Section 289 to total profit attributable to infringement of Apple's narrow claimed designs.

First, the district court excluded Samsung's expert evidence calculating the portion of Samsung's profits attributable to design and to the patented features, ruling that any "apportionment of damages [is] in clear contravention of 35 U.S.C. § 289." J.A. 87 Had Samsung's expert been permitted to testify in full, he would have concluded—based on Apple's own research showing that consumers valued such non-design features as choice of cellular carrier, price, brand, multimedia functionality, ease of use, size of screen, web capabilities, and camera quality more highly than design, *see* J.A. 25-55; J.A. 67-85; J.A. 465-68; J.A. 474—that at most 5% of Samsung's total profit per phone could be linked to design in general, with at most 1% attributable to the specific claimed designs. J.A. 81; J.A. 83-85.

Second, the district court rejected Samsung's proposed jury instructions limiting any total profit award to the amount attributable to infringement of a patented design and the article of manufacture to which the design is applied. J.A. 246-47 The first (No. 42) would have instructed the jury to award only profit "that is attributable to whatever infringement you have found." J.A. 203-04. The second (No. 42.1) would have instructed the jury:

> [Y]ou should award only those profits which were derived from the article of manufacture to which Apple's patented design was applied.

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was not the basis for any part of the $399 million award but is at issue in a stayed partial retrial on remand. *See infra*, at 24 n.13.

> The article to which Apple's design was applied may be the same as or different from Samsung's devices as sold because devices offered for sale may incorporate a single article of manufacture or several articles of manufacture. The article of manufacture to which a design has been applied is the part or portion of the product as sold that incorporates or embodies the subject matter of the patent. Where the article of manufacture is a case or external housing of the device, then only the profits from the sale of the case or external housing of the device should be awarded. Under these instructions, an award of profits for design patent infringement should not include profits earned from the technology by which the devices operate or from any other functions of the devices.

J.A. 206-07 (citing *Bush & Lane Piano Co. v. Becker Bros.*, 222 F 902, 904 (2d Cir. 1915)).

Instead, the district court instructed the jury that, "[i]f you find infringement by any Samsung defendant ..., you may award Apple that Samsung Defendant's *total profit attributable to the infringing products*." Pet. App. 165a (emphasis added). The instruction then stated that the "total profit" of any Samsung defendant "means the entire profit on" the phone and "not just the portion of profit attributable to the design or ornamental aspects covered by the design." *Id.*[11]

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[11] *See also* J.A. 268 (Instruction No. 53) ("In relation to design patents, Apple ... may elect to prove the defendant's profits as its measure of potential recovery with respect to the sale of each unit of an *infringing product*.") (emphasis added).

Third, the district court ruled, on post-trial motions, that the jury had properly awarded "all of Samsung's profits on the design-patent-infringing products," finding any lesser amount "clearly foreclosed by Federal Circuit precedent." Pet. App. 133a. The district court ruled the same way on post-trial motions following a partial damages retrial resulting from errors not relevant here. J.A. 347 n.8. There is no dispute that the combined design-patent judgments from the two trials awarded Apple $399 million—Samsung's entire profits on eleven smartphones. J.A. 348-50.[12]

2. The Federal Circuit Decision

The Federal Circuit affirmed the design-patent infringement judgment (Pet. App. 19a-27a) as well as the $399 million profits award for that infringement (Pet. App. 27a-29a). The Federal Circuit rejected Samsung's argument that any profits award should be limited to profits from "the portion of the product as sold that incorporates or embodies the subject matter of the patent." Pet. App. 29a. The court held that Section 289's "clear statutory language prevents us from adopting a 'causation' rule," even if that "makes no sense in the modern world." Pet. App. 28a & n.1.

The court rejected Samsung's reliance on *Bush & Lane Piano Co. v. Becker Bros.*, 222 F 902 (2d Cir.

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[12] The parties' damages experts disagreed as to whether Samsung's entire profits on the phones should be measured as gross or operating profits. *Compare* J.A. 190-95 (Apple's expert Terry Musika calculating profit as revenues minus costs of goods sold) *with* J.A. 221-26 (Samsung's expert Michael Wagner calculating profit as revenues minus costs of goods sold minus operating expenses). The jury chose operating profit as the proper measure, and thus multiplied Apple's expert's gross-profit numbers by 40 percent to arrive at Samsung's entire operating profits per phone. *See* Pet. App. 127a-130a.

1915) ("*Piano I*"), and *Bush & Lane Piano Co. v. Becker Bros.*, 234 F 79 (2d Cir. 1916) ("*Piano II*") (together, the *Piano Cases*). In those cases, the Second Circuit, interpreting Section 289's predecessor, limited profits for infringement of a patented design for a piano case to total profit on the case, not total profit on the entire piano. The Federal Circuit reasoned that, unlike a piano and a piano case, the "innards of Samsung's smartphones were not sold separately from their shells as distinct articles of manufacture to ordinary purchasers." Pet. App. 29a. That reasoning overlooked that the *Piano Cases* had rejected that very argument. *See Piano II*, 234 F. at 83 (noting that the argument that pianos and piano cases were separately marketed was "unsupported by the evidence" and holding, in any event, that the existence of a "separate market ... makes no difference in the rule of law").

The Federal Circuit also read its own prior decision in *Nike Inc. v. Wal-Mart Stores, Inc.*, 138 F.3d 1437 (Fed. Cir. 1998), as precluding any ruling that infringer's profits under Section 289 should be "limited to the profit attributable to the infringement." Pet. App. 27a. The court omitted to note that *Nike* did not address the scope of infringer's profits under Section 289, but instead considered only whether infringer's profits constitute "damages" for purposes of Section 287(a)'s marking requirement. *See* 138 F.3d at 1439, 1443.

The Federal Circuit made no attempt to reconcile its interpretation with the statutory language specifying that the patent-holder "shall not twice recover the profit made from the infringement." 35 U.S.C. 289.

The Federal Circuit denied rehearing *en banc*. Pet. App. 154a-155a.[13]

SUMMARY OF ARGUMENT

I. Section 289 of the Patent Act authorizes the award of infringer's profits for design-patent infringement. The Federal Circuit interpreted that provision, if elected as a remedy, as automatically requiring disgorgement of an infringer's entire profits from the product bearing a patented design—no matter how complex the product and no matter how minor the patented design in relation to the product as a whole. The Federal Circuit thus affirmed a judgment requiring Samsung to pay its entire profits on eleven smartphones for infringing Apple's narrow, partial design patents on portions of a phone's front face and a grid of icons on a single display screen.

A. The text of Section 289 compels reversal. Section 289 provides that a design-patent infringer may be liable "to the extent of his total profit." But that obviously cannot mean all of a company's worldwide profit. It also cannot mean all profit on an entire product as sold if the relevant design patent applies only to a minor component of the product. To the contrary, Section 289 limits recoverable total profit to that attributable to the "article of manufacture" to which an infringing design is "applied." Such an

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[13] On remand from the decision below, Samsung faces a potential entire-profits award on five additional phones for infringing any of the three design patents at issue (the D'677, the D'087, or the D'305) in a partial damages retrial resulting from the Federal Circuit's reversal (Pet. App. 6a-18a) of Samsung's trade-dress liability on those phones. That trial is stayed, along with supplemental damages proceedings, pending this Court's decision. Dist. Ct. Dkt. No. 3472 at 1-2.

article need not be the entire product as sold; many discrete "articles of manufacture" may be combined into such a product. Section 289 also limits recoverable total profit to that "made from the infringement." That limitation precludes the award of profit not attributable to infringement of the patented design. Any doubt that these two textual provisions limit the profits available under Section 289 is resolved by the presumption that Congress intends to follow background principles of causation and equity absent a clear statement to the contrary. In enacting Section 289 and its predecessors, Congress made no such clear statement.

B. The legislative history confirms that Congress intended no radical departure from background principles of causation and equity in enacting Section 289. In enacting the predecessor statute in 1887, Congress sought to ensure that holders of design patents for carpets, wallpapers, and oil-cloths would receive more than nominal damages from counterfeiters who infringed their patented designs. Congress assumed that "designs are the principal feature" of such articles and that, as to a decorative carpet or wallpaper, "it is the design that sells the article." Congress never suggested that the same assumption would hold for complex products like smartphones, which (unlike carpets) embody hundreds of thousands of functional features having nothing to do with any patented design. To the contrary, the congressman speaking for the House Patent Committee stated that he could "not put any such construction" on the 1887 Act. Legislative developments since 1887 have only reconfirmed that Section 289 limits any total profit award to the total profit attributable to infringement of the patented design.

C. The Federal Circuit's automatic entire-profits rule, if not reversed, would have disastrous practical consequences that Congress cannot have intended. It would invite such wildly disproportionate results as the award of the entire profits on a car for infringement of a patented cup-holder design. It would also potentially generate multiple recoveries by holders of multiple design patents all claiming discrete portions of a single product as sold—or at a minimum, a race to the courthouse to see who can obtain the first outsized award. By making design patents exponentially more valuable than utility patents, the automatic entire-profits rule would discourage innovation and competition, encourage companies to divert resources from new and useful technologies to ornamental designs, and pose the threat of crippling liability to businesses—especially small businesses—found to infringe even a single design patent.

II. Under the correct interpretation of Section 289, the judgment below should be reversed and entry of judgment directed for Samsung. The record contains no proof that all of the profits on Samsung's accused phones are attributable to the specific "articles of manufacture" to which Apple's patented designs were "applied"—namely, a phone's front face, front face with bezel, and single icon grid display. To the contrary, the undisputed evidence shows that consumers value far more highly such *non*-design features as apps, battery life, screen size and turn-by-turn navigation. The record likewise contains no proof that all of Samsung's profits were "made from the infringement" of Apple's narrow claimed designs as opposed to the countless other functional technologies that lead consumers to buy smartphones. At a minimum, a new trial is required under the proper interpretation of Section 289.

ARGUMENT

I. SECTION 289 ALLOWS ONLY TOTAL PROFIT ATTRIBUTABLE TO INFRINGEMENT OF THE PATENTED DESIGN

Section 289 provides that one who "(1) applies the patented design ... to any article of manufacture ..., or (2) sells or exposes for sale any article of manufacture to which such design ... has been applied shall be liable to ... the extent of his total profit, but not less than $250." 35 U.S.C. 289. It further provides that a design-patent holder remains free to pursue other remedies available under the Patent Act, "but he shall not twice recover the profit made from the infringement." *Id.*

In providing for a remedy "to the extent of [the infringer's] total profit," Section 289 sets forth "words of limitation." *John Hancock Mut. Life Ins. Co. v. Harris Trust & Sav. Bank*, 510 U.S. 86, 105 (1993). But the question remains, "total profit" from what? No one argues that the answer is Samsung's total profit on all its worldwide sales. Some lesser limitation must necessarily apply.

Three textual reasons compel the conclusion that recoverable "total profit" must be limited to total profit attributable to infringement of the patented design: (1) the text of the statute refers to the "article of manufacture" to which an infringing design is "applied"; (2) recoverable total profit must be that "made from the infringement"; and (3) the Patent Act is presumptively read in light of background principles of causation and equity. Section 289's legislative history supports the same conclusion, as does the fact that the Federal Circuit's automatic entire-profits rule

would have disastrous consequences that Congress could not possibly have intended.

A. The Text Of Section 289 Allows Only Total Profit Attributable To Infringement Of The Patented Design

Two phrases in the text of Section 289 clearly foreclose the Federal Circuit's entire-profits rule. *First*, the term "article of manufacture" is naturally read to mean an entire product only where the design is "applied" to the entire product, and not where (as here) the design is "applied" only to a component of the product. *Second*, the phrase "made from the infringement," which embodies basic principles of causation, is naturally read to limit recoverable profits to those attributable to infringement of the patented design. Were there any doubt about the proper interpretation of either phrase, they should be read in light of background principles of causation and equity that compel the same conclusion.

1. "Article Of Manufacture" To Which The Design Is "Applied"

Section 289 twice uses the term "article of manufacture" to mean that to which "the patented design" is or "has been applied." 35 U.S.C. 289. Section 171 similarly authorizes issuance of a design patent to one who "invents any new, original and ornamental design for an *article of manufacture*." 35 U.S.C. 171 (emphasis added). Thus, where a claimed design covers only a component of a product as sold (like a phone's front face, a cup-holder, or a marine windshield), the relevant "article of manufacture" is the component (the phone's front face, the cup-holder, or the marine windshield), and not the entire product (the phone, the

car, or the boat), and the relevant "total profit" is that attributable to the component.

The ordinary meaning of the terms "article," "manufacture," and "applied" at the time of the relevant enactments supports this interpretation. "Dictionaries from the era of ... enactment" are instructive. *Sandifer v. U.S. Steel Corp.*, 134 S. Ct. 870, 876 (2014).

Article. To the 1887 Congress, an "article" could be something less than an entire product as sold. The 1880 Webster's Dictionary defined an "article" as "[a] distinct part" or a "particular one of various things." WEBSTER'S COMPLETE DICTIONARY OF THE ENGLISH LANGUAGE 78 (1880 ed.) ("WEBSTER'S 1880"). The 1891 Black's Law Dictionary defined an "article" as "one of several things presented as connected or forming a whole." BLACK'S LAW DICTIONARY 92 (1st ed. 1891) ("BLACK'S 1ST"). Similar definitions would have been known to the 1952 Congress. *See* BLACK'S LAW DICTIONARY 143 (4th ed. 1951) ("BLACK'S 4TH") (same); *cf.* 17 U.S.C. 101 (recognizing that an "article" can be "part of" another useful article).

Manufacture. As the 1887 and 1952 Congresses likewise would have known, a "manufacture" too could be something less than an entire product as sold. The 1880 Webster's Dictionary defined a "manufacture" simply as "[a]ny thing made from raw materials by the hand, by machinery, or by art." WEBSTER'S 1880 at 810. The 1891 Black's Law Dictionary likewise defined "manufacture" as a "useful product made directly by human labor, or by the aid of machinery directed and controlled by human power." BLACK'S 1ST

at 751.[14] Thus, more than one manufacture could be combined to form a larger product. Pre-Federal Circuit precedent, for example, recognized that individual components of a building—such as "doors, windows, floors, supporting columns, wall construction, and other parts"—are each a "manufacture," no less than the building as a whole is a "manufacture." *Riter-Conley Mfg. Co. v. Aiken*, 203 F 699, 702 (3d Cir 1913). The same is true elsewhere in the Patent Act. For example, Section 271 defines as infringement the sale or importation of a "manufacture" that is "a *component* ... of a patented machine [or] manufacture." 35 U.S.C. 271(c) (emphasis added).

Article of Manufacture. As neither an "article" nor a "manufacture" need be the entirety of a device or product as ultimately sold, the same is true when the terms are taken in combination. An "article of manufacture" is simply a particular thing made by human skill. As the Commissioner of Patents explained in *Wiessner*, a patent applicant may claim "the entire design" for a product but may also claim, under separate design patents, designs for that product's components, which themselves may constitute "separate articles of manufacture." 1898 Dec. Comm'r Pat. at 242; *see id.* ("There is hardly a limit to the number of *articles* which may be united in a new idea of shape or configuration to form a new design ....") (emphasis added). Thus, as one early treatise noted, although

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[14] *Accord Tide-Water Oil Co. v. United States*, 171 U.S. 210, 216 (1898) ("The primary meaning of the word 'manufacture' is something made by hand, as distinguished from a natural growth...."); 2 ALEXANDER M. BURRILL, A LAW DICTIONARY AND GLOSSARY 180 (2d ed. 1871) ("A thing made by art."); 2 STEWART RAPALJE & ROBERT L. LAWRENCE, A DICTIONARY OF AMERICAN AND ENGLISH LAW 791 (1888) ("Anything made by art").

some "articles cannot ... be separated into their constituent parts," many are subdivisible into numerous components constituting distinct "articles of manufacture" for purposes of Section 289. WILLIAM D. SHOEMAKER, PATENTS FOR DESIGNS 351-52 (1929).

Applied. To "apply" one thing to another is "[t]o use or employ [it] for a particular purpose." BLACK'S 1ST at 80.[15] Under Section 171, the purpose of a patented design is to give a specified "ornamental" appearance to an "article of manufacture."[16] The statute therefore does not protect non-ornamental designs, and features "concealed or obscure[d] in normal use" are not eligible for a design patent. *In re Stevens*, 173 F.2d 1015, 1016 (C.C.P.A. 1949). Thus, for example, a patented design for a smartphone's front face is "applied" only to the front face—and necessarily *not* to the circuits, microchips, speakers, processors and other internal, non-design features that give a smartphone its functionality. It follows that Section 289 allows awards only of that total profit attributable to the externally observable component to which the patented design is "applied."

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[15] *See also* WEBSTER'S 1880 at 66 (same); BLACK'S 4TH at 128 (same).

[16] To be "ornamental," a design must provide "an aesthetically pleasing appearance." *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 148 (1989); *see also Gorham v. White*, 81 U.S. 511, 524-25 (1871).

Prior to the decision below, every relevant judicial decision interpreted Section 289's predecessor accordingly, holding that infringer's profits for design patents are limited to those from the article of manufacture to which the patented design was applied. For example, in the *Piano Cases*, the patented design claimed only a piano's external casing as depicted in the patent drawing, not a piano's internal structures or an entire piano:

D37,501[17]

See Piano I, 222 F. at 903-04; *Piano II*, 234 F at 81.

Asked "whether the profits made by the defendant should be the entire profits of the sales of the piano

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[17] U.S. Patent No. D37,501 (filed June 8, 1905), *available at* http://pdfpiw.uspto.gov/.piw?Docid=D0037501.

and case or the profits upon the sale of the case which alone is the sole subject of the patent," *Piano I*, 222 F at 903, the Second Circuit answered unequivocally the latter, *id.* at 904; *Piano II*, 234 F. at 81-82 (citing *Dowagiac Mfg. Co. v. Minn. Moline Plow Co.*, 235 U.S. 641, 646 (1915)). Nor did the Second Circuit find relevant whether pianos and cases have separate commercial markets; to the contrary, what mattered was that the piano and the case "*are different articles*." *Piano II*, 234 F. at 82 (emphasis added). As the Second Circuit reasoned by way of analogy, a design patent "for a 'book binding'" cannot "be so identified with the entire book as to give all the profits on a work of literary genius to the patentee of a binding," even if "the binding was manufactured with and for that one book, and has no separate commercial existence." *Id.* at 81-82.

Similarly, in *Young v. Grand Rapids Refrigerator Co.*, 268 F. 966, 974 (6th Cir. 1920), the asserted design patents (Nos. D46,305 and D48,958) claimed designs for refrigerator latch casings—not for a refrigerator or even for the entirety of a latch. The Sixth Circuit rejected the notion that an infringer might owe the entire profits on a refrigerator bearing an infringing latch, explaining that the patent-holder had not even "seriously contended" that Congress had required such a disproportionate result. *Id.*

The Federal Circuit drew a similar distinction in *Trans-World Manufacturing Corp. v. Al Nyman & Sons, Inc.*, 750 F.2d 1552 (Fed. Cir. 1984), a multiple-article case where the plaintiff held a design patent for a display rack for eyeglasses. The court rejected the plaintiff's attempt to recover profits earned on sales of eyeglasses displayed on an infringing rack, explaining that "the patented design *has not been applied* to the

articles that Nyman sells—the eyeglasses—but only to the display racks." *Id.* at 1567 (emphasis added). Because the patented design was not "applied to" the eyeglasses, sales of eyeglasses furnished no basis for Section 289 infringer's profits. *Id.*

Thus, Section 289 does not authorize disgorgement of infringer's profits earned on sales of an entire product unless (unlike here) that *entire product* is the "article of manufacture" to which the patented design is "applied." Where (as here) the "article of manufacture" to which the design is "applied" instead is merely a component of that product, profits under Section 289 are textually limited to total profit from the component.

2. "Made From The Infringement"

Apart from the limitation that the term "article of manufacture" places on the remedy set forth in Section 289, the provision's final clause provides a complementary limitation by prohibiting a patentholder from "twice recover[ing] the profit *made from* the infringement." 35 U.S.C. 289 (emphasis added). That phrase embodies basic principles of causation and reinforces the interpretation that recoverable profits under Section 289 are limited to those attributable to infringement of the patented design. Nor does it matter that the phrase appears in the double-recovery clause: There would be no need to specify that Section 289 does not authorize a *double* recovery of the profit made from the infringement if the statute did not authorize a *single* recovery of the profit made from the infringement in the first place.

This Court enforced a similar limitation as to the Copyright Act of 1909 in *Sheldon v. Metro-Goldwyn Pictures Corp.*, 309 U.S. 390 (1940). There, the statute

entitled the copyright-holder to recover "all the profits which the infringer shall have *made from* [the] infringement." 17 U.S.C. 25(b) (1940) (emphasis added). While the statute thus provided "for recovery of '*all*' the profits," this Court held that such language was "plainly qualified by the words 'which the infringer shall have made from such infringement.'" 309 U.S. at 399. The "made from the infringement" language in Section 289 compels a similar limitation on the term "to the extent of his total profit."

3. Background Principles Of Causation And Equity

Were there any doubt about the above interpretation of Section 289's text (there is not), it is resolved by applying the canon that Congress is presumed to follow traditional background rules of causation and equity unless it clearly states otherwise. Section 289 evinces no clear congressional intent to make any wholesale departure from traditional principles of causation and equity.

A statute cannot "abrogate a common-law principle" unless it "speak[s] directly to the question addressed by the common law." *United States v. Bestfoods*, 524 U.S. 51, 63 (1998) (internal quotation marks omitted); *see Norfolk Redevelopment & Hous. Auth. v. Chesapeake & Potomac Tel. Co. of Virginia*, 464 U.S. 30, 35 (1983) ("clear and explicit" language is required to repeal a common-law rule) (internal quotation marks omitted). Patent infringement "is essentially a tort," *Carbice Corp. v. Am. Patents Dev. Corp.*, 283 U.S. 27, 33 (1931), and when Congress fashions a statutory tort, it "legislates against a legal background of ordinary tort-related ... rules and consequently intends its legislation to incorporate those rules." *Meyer v. Holley*, 537 U.S. 280, 285 (2003).

One such ordinary tort-related rule—indeed, a "cardinal" rule—is that compensation is limited to "the injury *caused* to plaintiff by defendant's breach of duty." *Carey v. Piphus*, 435 U.S. 247, 254-55 (1978) (emphasis added; citation and internal quotation marks omitted). This Court has repeatedly held that Congress intended to adopt common-law causation requirements in fashioning statutory torts.[18]

Similarly, in interpreting the Patent Act, any "'major departure from the long tradition of equity practice should not be lightly implied.'" *eBay, Inc. v. MercExchange, LLC*, 547 U.S. 388, 392 (2006) (quoting *Weinberger v. Romero-Barcelo*, 456 U.S. 305, 320 (1982)). Causation is a basic principle of equity as it is at law. *See* RESTATEMENT (THIRD) OF RESTITUTION AND UNJUST ENRICHMENT § 51(5) (2011) ("RESTATEMENT (THIRD)") ("In determining net profit the court may apply such tests of causation and remoteness ... as reason and fairness dictate, consistent with the object of restitution.").

These long-settled legal and equitable principles "hardly could have been foreign to the many lawyers in Congress" in 1887 and 1952. *Carey*, 435 U.S. at 255. Treatises from the 1887 Act's era explain that causation principles would be "applied to the construction of statutes," 1 THEODORE SEDGWICK, A TREATISE ON THE MEASURE OF DAMAGES 150-51 (7th ed. 1880), and that, in the absence of conduct so wrongful "as to give a

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[18] *See, e.g.*, *Carey*, 435 U.S. at 255-56 (42 U.S.C. 1983); *Holmes v. Sec. Investor Prot. Corp.*, 503 U.S. 258, 265-268 (1992) (RICO); *Dura Pharm., Inc. v. Broudo*, 544 U.S. 336, 343-45 (2005) (fraud under Securities Exchange Act); *Univ. of Texas Sw. Med. Ctr. v. Nassar*, 133 S. Ct. 2517, 2524-25 (2013) (Title VII employment discrimination); *Paroline v. United States*, 134 S. Ct. 1710, 1718-20 (2014) (restitution under Violence Against Women Act).

right to exemplary or vindictive damages, the extent of remuneration is restricted ... to the immediate consequence of the illegal act," *id.* at 144. And in 1887, the equity courts had long limited both damages and profits in patent cases to amounts attributable to the infringement. *See Garretson*, 111 U.S. at 121-22. For instance, in *Littlefield v. Perry*, 88 U.S. 205 (1874), this Court held that an infringer's-profits award was limited to those "profits received by the defendant[] as the *direct result* of the use within the assigned territory of the several inventions involved in the case." *Id.* at 229; *see also, e.g.*, *Tilghman v. Proctor*, 125 U.S. 136, 146 (1888) ("The profits ... which he must account for, are not those which he might reasonably have made, but those which he did make, *by the use of* the plaintiffs' invention.") (emphasis added).

Likewise, the 1952 Congress would have understood that the equitable remedy of restitution should not amount to a penalty but rather enforces a duty to return "the value of the benefit thereby received." RESTATEMENT (FIRST) OF RESTITUTION § 136 (1937); *see* RESTATEMENT (THIRD) § 51(4) (noting that an accounting of profits is designed to avoid "the imposition of a penalty," and thus is limited to "the net profit attributable to the underlying wrong"). As this Court had stated just a decade earlier in interpreting the Copyright Act of 1909 "in accordance with the principles governing equity jurisdiction," infringer's profits are awarded "not to inflict punishment but to prevent an unjust enrichment by allowing injured complainants to claim that which ... is theirs, *and nothing beyond that*." *Sheldon*, 309 U.S. at 399 (emphasis added; internal quotation marks omitted).

Causation requirements universally govern disgorgement and other remedies elsewhere in intellec-

tual property law—whether for trademarks,[19] copyright,[20] or utility patents.[21] By using the phrase "to the extent of his total profit" in Section 289, Congress did not evince any clear intent to exempt design patents wholesale from this universal regime. At most, Congress relieved a holder of a design patent for a single-article product like a carpet of the need to prove that the patented design causes the value of the article to which it is applied. Thus a carpet design-patent holder need not show that the design (rather than the weave or fiber) caused the total profit on the carpet. But Congress did not address multicomponent products at all, much less relieve a holder of a design patent for a mere component of a multicomponent product of the obligation to show that the component caused the value of the entire product.

Reading Section 289 in conformity with background principles of causation and equity is further reinforced

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[19] *See, e.g., Mishawaka Rubber & Woolen Mfg. Co. v. S.S. Kresge Co.*, 316 U.S. 203, 205-06 (1942) (holding that the "plaintiff of course is not entitled to profits demonstrably not attributable to the unlawful use of his mark"); *Lindy Pen Co. v. Bic Pen Corp.*, 982 F.2d 1400, 1408 (9th Cir. 1993) (holding that an accounting under 15 U.S.C. 1117(a) is intended to award profits only on sales that are "attributable to the infringing conduct").

[20] *See, e.g., Davis v. Gap, Inc.*, 246 F.3d 152, 160 (2d Cir. 2001) (holding that the term "gross revenue" under 17 U.S.C. 504(b) means "gross revenue reasonably related to the infringement, not unrelated revenues").

[21] *See, e.g., Rite-Hite Corp. v. Kelley Co.*, 56 F.3d 1538, 1545 (Fed. Cir. 1995) (en banc) (under 35 U.S.C. 284, a patent-holder seeking lost profits must establish "the sales and profits lost ... *because of* the infringement"); *ResQNet.com, Inc. v. Lansa, Inc.*, 594 F.3d 860, 869 (Fed. Cir. 2010) (per curiam) (similar for reasonable royalty).

by the canon of constitutional avoidance. As far back as the late nineteenth century, scholars recognized that interpreting the design-patent profits remedy too broadly would lead to "absurd consequences or to unconstitutional results" by granting a remedy "wholly disproportioned to the wrong committed." Frederic H. Betts, *Some Questions Under the Patent Act of 1887*, 1 YALE L.J. 181, 189 (1892). The Patent Clause authorizes Congress to grant patentees "'an exclusive right to the profits arising from [their inventions].'" *Graham v. John Deere Co. of Kansas City*, 383 U.S. 1, 9 n.2 (1966) (quoting Letter from Thomas Jefferson to Isaac McPherson (Aug. 1813), *in* VI WRITINGS OF THOMAS JEFFERSON, at 180-81 (Washington ed.)). But the Clause confers no similar authority to award design-patent holders vast profits *not* arising from their inventions, as the Federal Circuit read Section 289 to do here. To the contrary, the Patent Clause bars "enlarge[ment of] the patent monopoly without regard to the innovation, advancement or social benefit gained thereby." *Graham*, 383 U.S. at 5-6; *see Bonito Boats*, 489 U.S. at 146. The decision below thus raises serious constitutional questions that the statute should be "construed to avoid." *FCC v. Fox Television Stations, Inc.*, 556 U.S. 502, 516 (2009).

B. Section 289's History Shows Congress's Purpose To Allow Only Total Profit Attributable To Infringement Of The Patented Design

1. The 1887 Congress Sought To Ensure Meaningful Recovery For Infringement Of Patented Designs By Decorative Articles Whose Value Was Driven By Design

Section 289's legislative history confirms the textual limitations on "total profit" discussed above. The 1887 Act was modeled on British patent-infringement statutes, *see* S. REP. NO. 49-206, at 2, which limited infringer's profits to "the profits which the defendants have *actually made by the infringement* of the patent." *Elwood v. Christy*, 144 Eng. Rep. 537, 538 (1865) (emphasis added); *see also id.* at 539 n.1. The legislative history makes clear that the act's proponents believed that the act embodied that basic causation principle.

Congress enacted the predecessor statute to Section 289 in 1887 in response to this Court's decisions in the *Dobson* cases. *See supra*, at 12-14. Congress was concerned that the *Dobson* decisions would eliminate any effective remedy for holders of design patents for decorative articles like "beautiful carpets, wall-papers and oil-cloths" by requiring that a patent-holder prove the value of the design as distinct from the value of non-design features in the article. *E.g.*, H.R. REP NO. 49-1966, at 1, 3; 18 CONG. REC. 834, 835 (statement of Rep. Martin).

Congress's response to the *Dobson* cases was based on its express assumption that "designs are the principal feature" of carpets, wallpapers, and oil-cloths. 18

CONG. REC. 835 (statement of Rep. Martin). As the House Patent Committee report stated, "it is the design that sells the article, and so that makes it possible to realize any profit at all." H.R. REP. NO. 49-1966, at 3. And as Representative Martin stated, speaking for the House Patent Committee, the patented design is what "add[s] value to carpeting, oil-cloths, wall-paper, and things of that sort," and "the advantages to which the manufacturers are entitled by reason of securing these designs, shall not be taken from them by infringements." 18 CONG. REC. 835 (statement of Rep. Martin).

Congress nowhere expressed any similar assumption with respect to a multicomponent product comprising (unlike a carpet) more than one article of manufacture. To the contrary, the legislative history refers repeatedly and exclusively to "beautiful carpets, wall-papers and oil-cloths." *E.g.*, H.R. REP. NO. 49-1966, at 3. When asked in floor debate "[t]o what particular kinds of designs" the bill applied, Representative Martin, speaking for the House Patent Committee, replied that "[i]t applies to designs for carpets, oil-cloth, wallpaper, &c." 18 CONG. REC. 834 (statement of Rep. Martin).

The 1887 Act's proponents were concerned that designs for decorative items like carpets and wall-paper were uniquely susceptible to counterfeiting:

> The patent is obtained for a certain figure, or figures, which will be employed in making carpet, or oil-cloth, or wall-paper, or anything of that kind. ...
>
> The moment he gets a patent for that design there must be left in the Patent Office a lithograph of it, and that lithograph can be

> obtained by anyone who wants if for a few cents. Those who infringe the patents purchase these lithographs of designs. They have a full description of the design and make an exact counterfeit, or imitation; so exact hardly any man can see the difference between them.

18 CONG. REC. 835 (statement of Rep. Martin).

The concern about counterfeiting reinforces that the proponents of the 1887 Act viewed the new remedy as embodying principles of causation. Congress determined that copying a design for a carpet or wallpaper was the cause of any profits a counterfeiter might make on the carpet or wallpaper. In contrast, proponents of the new remedy denied that it would abrogate long-accepted principles of causation in other cases.

Thus, when asked whether "the plaintiff may recover the entire profit upon the article of product, *without any proof that this arises from the use of the design*," Representative Martin, speaking for the House Patent Committee, responded that he "[could] not put any such construction on this law." 18 CONG. REC. 835 (emphasis added). And when pressed as to whether an infringer could be ordered to disgorge all of his profits "whether those profits arise from the use of the design alone or *from various other circumstances which may enter into the manufacture*," Representative Martin insisted that "*no such purpose* was had in view by any one [in the committee] who favored or urged the passage of the bill." *Id.* (emphasis added). As the House Report stated, under the new remedy, a design patent-holder should "recover[] nothing beyond" "the profit *made on the infringing article*." H.R. REP. NO. 49-1966, at 3 (emphasis added).

2. Post-1887 Legislative Developments Confirm Section 289's Narrow Purpose

Congress's subsequent amendments to the Patent Act make even clearer that Section 289, as codified in 1952, was not intended to impose the draconian penalty required by the Federal Circuit's entire-profits rule.

First, the 1922 and 1946 Acts provided a *reasonable royalty* as the floor for all patent infringement awards. *See* Act of Aug. 1, 1946, 60 Stat. 778; Act of Feb. 21, 1922, 42 Stat. at 392. Thus, by 1952, Congress had solved the problem that had prompted it to provide in the 1887 Act for a minimum of $250 in infringer's profits in the first place—namely, that design-patent holders might be left merely with nominal damages if unable to prove causation of lost or infringer's profits.

Second, the 1952 Act removed the 1887 Act's knowledge requirement, omitting the phrase "knowing that the [patented design] has been ... applied" to an article of manufacture. *Compare* Act of Feb. 4, 1887, 24 Stat. at 387 *with* Act of July 19, 1952, 66 Stat. at 813. The 1887 Congress had viewed the knowledge requirement as a vital safeguard. Proponents of the act assured the House that "no man will suffer either penalty or damage unless he willfully appropriates the property of another." 18 CONG. REC. 836 (colloquy between Representatives Butterworth and Martin). Congress did not explain its elimination of the knowledge element in the 1952 Act, but Congress can hardly be understood to have intended to impose a punitive, overcompensatory remedy for what it rendered a strict-liability tort.

Third, in the 1952 Act, Congress also removed the language specifying that the awardable infringer's profits were "from *the manufacture or sale* ... of the article or articles to which the design ... has been applied ...." *Compare* Act of Feb. 4, 1887, 24 Stat. at 387 (emphasis added) *with* Act of July 19, 1952, 66 Stat. at 813-14. The dissent in *Piano I* had relied upon that language to conclude that the patent-holder was entitled to the entire profits from sales of the pianos, which were purportedly "the article[s] which the complainant *manufactures and sells*." 222 F. at 905-06 (Ward, J., dissenting) (emphasis added). As the *Piano I* majority made clear, that view was erroneous at the time, *see id.* at 904-05, but the error is even clearer under the post-1952 statutory language. Congress expressed no intent in 1952 to override the holding of the *Piano Cases* and adopt the dissenting view in those cases instead.

The 1952 Congress thus reinforced the 1887 Congress's assurances of Section 289's conformity with traditional common-law and equitable principles of causation and proportionality.

C. Practical Consequences Counsel Interpreting Section 289 As Allowing Only Total Profit Attributable To Infringement Of The Patented Design

In addition to conflicting with the text, history and purpose of Section 289, the Federal Circuit's entire-profits rule would harm innovation and competition and create risks of multiple recoveries and races to the courthouse. Limiting awards under Section 289 to profits attributable to infringement of the patented design—which is the natural and sensible reading for all the reasons given above—avoids these harmful effects.

1. The Entire-Profits Rule Would Create Disproportionate Awards And Risk Multiple Recoveries

The Federal Circuit's entire-profits rule would lead to disproportionate awards in any patent case that involves (as here) a design patent claiming only a small component of a product's overall design. Design-patent defendants would have to hand over all of their profits on a computer for infringement of a single patented, preinstalled graphical-interface icon, all profits from a boat for infringing a patent on the design of a marine windshield, all profits on a car for infringing a patented cup-holder design, and so on.

The prospect of such absurd outcomes is not hypothetical. The Federal Circuit's ruling has already prompted an increasing number of cases where disproportionate profits awards are sought or ordered. *See, e.g.*, *Nordock, Inc. v. Systems Inc.*, 803 F.3d 1344, 1354-55 (Fed. Cir. 2015) (vacating and remanding a district court's profits award as inadequate where limited to the "profits attributable to a small portion of the dock levelers at issue"—namely, the portion to which the patented design was applied) (citing the Federal Circuit decision below), *pet. for cert. filed*, No. 15-978 (Jan. 28, 2016); *Pac. Coast Marine Windshields Ltd. v. Malibu Boats, LLC*, 2014 WL 4185297, *11 (M.D. Fla. Aug. 22, 2014) (ruling that the holder of a design patent on a marine windshield was entitled to all profits from "the sale of its boats with the [infringing] windshield") (citing the district court ruling below).

Moreover, the practice of partial claiming ensures that there will be many more requests for such disproportionate awards. The purpose of patenting partial design details is to broaden the range of

potentially infringing products and to increase the chances of prevailing on infringement. *See, e.g.*, Saidman, *supra*, 89 J. PAT. & TRADEMARK OFF. SOC'Y at 319-23. Apple, for example, holds some patents for the entire external design of an iPhone (for example, U.S. Patent No. D580,387 ("D'387")), but has also patented numerous discrete narrow, partial features of the overall iPhone design.[22] Proving infringement of a patent like the D'387 is difficult, given the many obvious dissimilarities between an iPhone and a Samsung Galaxy or other competing phone as a whole. Rather than sue on the D'387 or similar entire-design patent, therefore, Apple instead engaged in "standard and well-accepted patent gamesmanship," *id.* at 319, by picking and choosing which separate narrow design patents to sue on. And this gamesmanship yielded Apple the same amount of infringer's profits as if it had obtained an infringement finding on the D'387 or any other patented design for the *entire* external design of a smartphone. The Federal Circuit's entire-profits rule thus divorces the remedy entirely from the scope of the infringement.

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[22] Apple holds thirteen patents covering external design features of the original iPhone, twelve of which are for only limited aspects of the phone: U.S. Patent No. D558,756 (filed Jan. 5, 2007); U.S. Patent No. D558,757 (filed Jan. 5, 2007); U.S. Patent No. D558,758 (filed Jan. 5, 2007); U.S. Patent No. D580,387 (filed Jan. 5, 2007); U.S. Patent No. D581,922 (filed July 30, 2007); U.S. Patent No. D586,800 (filed July 30, 2007); U.S. Patent No. D593,087 (filed July 30, 2007); U.S. Patent No. D601,558 (filed Feb. 13, 2009); U.S. Patent No. D613,736 (filed May 19, 2009); U.S. Patent No. D618,677 (filed Nov. 18, 2008); U.S. Patent No. D618,678 (filed Feb. 23, 2009); U.S. Patent No. D627,343 (filed Sept. 15, 2009); U.S. Patent No. D634,319 (filed June 21, 2010).

In addition, the entire-profits rule would invite wasteful and duplicative litigation. It appears to permit *multiple* recoveries of a manufacturer's profits on the same product. For example, a boat manufacturer whose boat is found to infringe separately-owned design patents for a boat's windshield, rooftop and seat might have to pay its entire profits from the boat three times over A computer manufacturer might have to hand over all of its profits to any number of patent-holders who own the rights to particular patented, preinstalled icon designs. And so on.

As this Court has recognized, there is an obvious injustice in a rule by which an infringer may have to pay "his whole profits to each of a dozen or more several inventors of some small improvement." *Seymour v. McCormick*, 57 U.S. 480, 490 (1853). And even if the first award of total profit could be deemed to have exhausted all profits from sales of a product, the risk of missing out on the Section 289 lottery would at a minimum cause a race to the courthouse among design patent owners to obtain the first and largest windfall recovery.

2. The Entire-Profits Rule Would Harm Innovation, Competition And Small Businesses

By grossly over-rewarding design patents, the entire-profits rule would also impede both competition and innovation. Companies would use the threat of potentially devastating design-patent infringement awards as a tool to stifle competition in the marketplace. Non-practicing entities or "trolls" would seize upon design patents as their new weapon of choice. And innovators would be encouraged to focus their energies on minor designs rather than groundbreaking

technologies, given the far greater litigation value of even the most trivial design patent.

First, by authorizing disproportionate awards, the entire-profits rule would make design patents the new weapon of choice in efforts to quash new market entrants. As commentators have recognized, the entire-profits rule "poses a real danger for companies everywhere."[23] Under the rule, a company holding a design patent could obtain disgorgement of its competitor's entire profits on a competing product—no matter how much technological or design innovation the competing product contributes—so long as the competing product somewhere replicated a patented snippet of a design. For example, Apple could assert its patent on a circular button, shown below, against any other "electronic device" with a circular button, and reap the entire profits on that product (as opposed to the total profit attributable to the button):

D747,310[24]

Companies are already using design patents in this way. For example, Microsoft has sued software developer Corel for alleged infringement of (among

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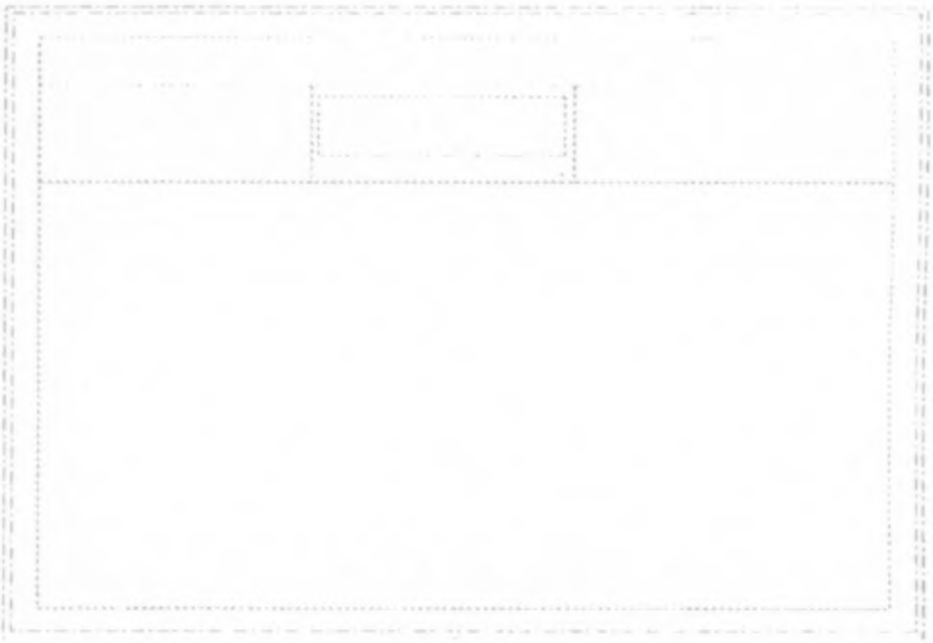
[23] Jeff John Roberts, *Apple, rounded corners and the new debate over design patents*, FORTUNE (Aug. 19, 2015), http://fortune.com/2015/08/19/apple-patents-rounded-corners/.

[24] U.S. Patent No. D747,310 (filed Sept. 9, 2013), *available at* http://pdfpiw.uspto.gov/.piw?Docid=D0747310.

other patents) a design patent for the tiny graphical arrow shown in the lower right corner of the middle box below:



D550,237[25]

See Microsoft Corp. v. Corel Corp., No. 5:15-cv-5836-EJD, Dkt. No. 37 at 12-13 (N.D. Cal., San Jose Division, filed Dec. 18, 2015).

The risks of the entire-profit rule are perhaps most grave for small businesses, for whom a design-patent lawsuit can now be an existential threat.[26] One small business is already facing a remand by the Federal

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[25] U.S. Patent No. D550,237 (filed May 22, 2006), *available at* http://pdfpiw.uspto.gov/.piw?Docid=D0550237

[26] *See* Steve Lebsock, *Court battle over design patents could affect Colorado economy*, THE BUSINESS TIMES (Nov. 17, 2015), http://thebusinesstimes.com/court-battle-over-design-patents-could-affect-colorado-economy/ (the "real losers" from the entire-profits rule may be "smaller enterprises, entrepreneurs and manufacturers that are now at risk of paying total profits").

Circuit for a determination of its entire profits on a product found to infringe a design patent for a small component. *See Nordock*, 803 F.3d at 1356-57

Second, the entire-profits rule would stifle innovation by distorting the incentives that drive invention and undermining the value of technology. In all other areas of intellectual-property law, the scope of available damages is tied to the scope of the infringement. But the entire-profits rule for design-patent infringement makes the value of any single design patent, no matter how minor or trivial, greater than the value of all the utility patents in a smartphone or other technological device combined. The rule thus encourages companies to focus research and development on design patents rather than technologies. As one commentator put it, "'the Federal Circuit's ruling could allow design patent law to swallow utility patent law, making the ornamental design more important than the underlying technology.'"[27]

Third, as commentators have recognized, the entire-profits rule would lead inexorably to "an explosion of design patent assertions and lawsuits" given the power and leverage that design-patent holders now can wield.[28] There has been a surge in applications for design patents recently—design patent "application filings are up almost 50 percent compared to a decade ago," and "[t]he PTO has added 80 new design

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[27] Adam Liptak, *Supreme Court to Hear Samsung Appeal on Apple Patent Award*, N.Y. TIMES (Mar. 21, 2016), http://www.nytimes.com/2016/03/22/technology/supreme-court-to-hear-samsung-appeal-on-apple-patent-award.html (quoting Prof. David Opderbeck, Seton Hall University).

[28] Jason Rantanen, *Apple v. Samsung: Design Patents Win*, PATENTLYO (May 18, 2015), http://patentlyo.com/patent/2015/05/samsung-design-patents.html.

examiners over the last three years to address the increase," more than doubling their previous ranks.[29] Design-patent appeals to the Federal Circuit have tripled since last year.[30] And non-practicing entities have already started relying on the decision below to demand large payments for purported design-patent infringement,[31] thus supporting predictions that the entire-profits rule would enable design-patent litigation to "becom[e] the next business model for patent assertion entities."[32]

As cautioned in *eBay*, 547 U.S. at 396-97 (Kennedy, J., concurring), patent-holders should not be permitted to leverage a patent on "a small component of [a] product" for competitive gain far beyond that warranted by the patent's value and inventive contribution. But the entire-profits rule creates a "perverse incentive ... to bring design patent infringement cases, even with the weakest merits, intended to motivate

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[29] Tony Dutra, *Design Patents Up, But Samsung Case Ruling Could Bring Down*, BLOOMBERG BNA (April 20, 2016), http://www.bna.com/design-patents-samsung-n57982070078/.

[30] *Id.*

[31] *See* Giuseppe Macri, *Patent Trolls are Already Abusing the Apple v. Samsung Ruling*, INSIDESOURCES (Oct. 1, 2015), http://www.insidesources.com/patent-trolls-are-already-abusing-the-apple-v-samsung-ruling/.

[32] Gary L. Griswold, *35 USC 289—After Apple v. Samsung, Time for a Better-Crafted Judicial Standard for Awarding "Total Profits"?*, PATENTLYO (Aug. 14, 2015), http://patentlyo.com/patent/2015/08/griswold-patent-damages.html; *see also* Bartlett Cleland, *Flawed by design*, THE HILL (Oct. 12, 2015), http://thehill.com/blogs/congress-blog/technology/256563-flawed-by-design ("Design patents have become increasingly attractive as a new target" for "'patent trolls'").

defendants to settle and avoid the unbalanced risk should damages be assessed."[33]

3. Section 289 Provides A Practical Alternative To Section 284 Even As Properly Limited

Interpreting Section 289 to limit awards of infringer's profits as described above does not render the statute duplicative, but rather leaves a robust remedy distinct from the damages remedy provided in Section 284.

First, as to any design patents that claim designs that cover the entirety of a product as sold,[34] the entire profits from the product's sales still might be subject to disgorgement under Section 289. In such cases, the article of manufacture might be considered coextensive with the product as sold, or infringement of the patented design might be considered responsible for the entirety of the profits earned on such sales.

Second, even as to multicomponent products, Section 289 might be a preferable remedy where proof of infringer's profits is easier as a practical matter than proof of lost profits or a reasonable royalty under Section 284. For example, an infringer's-profits case might be based on *actual* sales records, obviating any need to prove the hypothetical revenues that the plaintiff would have made but for the infringement or

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[33] Cleland, *supra*, note 32.

[34] *See, e.g.*, *Richardson v. Stanley Works, Inc.*, 597 F.3d 1288, 1290 (Fed. Cir. 2010) (patent (No. D507,167) for complete design of carpentry tool); *Egyptian Goddess, Inc. v. Swisa, Inc.*, 543 F.3d 665, 668 (Fed. Cir. 2008) (patent (No. D467,389) for complete design of fingernail buffer); *Hazelquist v. Guchi Moochie Tackle Co.*, 437 F.3d 1178, 1179 (Fed. Cir. 2006) (patent (No. D363,113) for complete design of one-piece fishing lure).

to reconstruct a hypothetical negotiation to determine the amount of a royalty.

Third, a patent-holder's recovery under Section 289 as properly interpreted might in certain cases exceed recovery under Section 284. For example, Congress appeared to contemplate in 1887, when it added Section 289's predecessor, that a design-patent infringer (*e.g.*, a counterfeiter) might often have lower costs and higher profit margins than a patent-holding competitor. In such cases, the gain from infringement of the patented design might well exceed the patent-holder's losses. And a reasonable royalty is rarely so large as to eliminate the infringer's entire profit. *See, e.g.*, *WesternGeco L.L.C. v. ION Geophysical Corp.*, 791 F.3d 1340, 1353 (Fed. Cir. 2015).

For all these reasons, the practical consequences of the Federal Circuit's entire-profits rule counsel its rejection.

II. THE PROPER CONSTRUCTION OF SECTION 289 NECESSITATES REVERSAL OR VACATUR OF THE JUDGMENT BELOW

The Federal Circuit affirmed a judgment awarding Samsung's *entire* profits from sales of eleven smartphones—even though Apple presented no proof that Samsung's profits arose from the articles of manufacture to which Apple's narrow design-patent claims were applied or that Samsung's profits otherwise resulted from infringement of the patented designs. This was unquestionably Apple's burden. *See Piano II*, 234 F at 82 (citing *Dowagiac*, 235 U.S. at 646); *see generally Lucent Techs., Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1324 (Fed. Cir. 2009) ("The burden of proving damages falls on the patentee."). Thus, the district court cannot rightly have awarded Samsung's

entire profits from the accused phones, and the Federal Circuit's judgment should be reversed or at the very least vacated and the case remanded for further proceedings.

A. The Record Contains No Proof Of Total Profit From The Relevant Articles Of Manufacture

The relevant articles of manufacture here are not the entirety of Samsung's accused phones, as the Federal Circuit held (Pet. App. 29a). The relevant articles of manufacture here are the discrete components of those phones to which Apple's narrow design patent claims were applied. *See supra*, at 6-9.

Specifically, as to the D'677, which shows a design for a black rectangular front face with rounded corners (*see supra*, at 6-7), the relevant article of manufacture is the round-cornered, glass front face of the smartphone. That is the portion of the smartphone to which the D'677 design was applied. Indeed, Apple's own witness Peter Bressler explained that the asserted design extended only to the portions of the device shown in full lines in the patent drawings, and that the portions shown in dotted lines were disclaimed and outside the claimed scope. J.A. 149-50. Thus, as the D'677 patent drawings show and Apple's expert Bressler confirmed, the claimed design does not cover even the entire front face of the smartphone, much less the entire smartphone. *Id.*; J.A. 577-78; *see also* J.A. 243 (Apple's expert Bressler admitting that Apple did not own "the use of a rectangular shape with rounded corners for an electronic device").

Similarly, as to the D'087, which shows a design for a rectangular front face with rounded corners plus bezel (*see supra*, at 7-8), the relevant article of

manufacture is the round-cornered, glass front face of the smartphone plus its surrounding rim. For this patent too, Apple's expert Bressler testified that, based on the patent drawings, the asserted design was limited to a front face and bezel. J.A. 153.[35]

And, for the D'305, which shows a design for a particular grid of sixteen colorful icons on a black screen (*see supra*, at 8), the relevant "article of manufacture" to which the patent is "applied" is the display screen that sits beneath a smartphone's glass front face.[36] It is that display to which the patented menu of icons is temporarily applied. Apple's own witness Susan Kare confirmed the limited scope of the D'305. She testified that that patent claims only a specific menu of icons, not any other portion of the user interface, and that, in the accused Samsung devices, that menu was neither on the start-up screen nor on the home screen, but rather was shown several layers

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[35] It is irrelevant that Apple titled the D'677 and D'087 as for an "Electronic Device" (J.A. 531; J.A. 567). While "[t]he title of the design must designate the particular article," 37 C.F.R. 1.153(a), the title cannot determine the scope of the claimed design. To the contrary, the Patent Office examines the claim as depicted in the patent drawing for patentability, and that claim defines the scope of the patent. *See id.* ("No description, other than a reference to the drawing, is ordinarily required."); U.S. PATENT & TRADEMARK OFFICE, MANUAL OF PATENT EXAMINING PROCEDURE ("MPEP") 1503.01 (9th ed. Nov. 2015), *available at* http://www.uspto.gov/web/offices/pac/mpep/mpep-1500.pdf ("[T]he illustration in the drawing views is its own best description").

[36] A design for a "computer-generated icon" may be patented only if the icon is "shown on a computer screen, monitor, [or] other display panel." Guidelines for Examination of Design Patent Applications for Computer-Generated Icons, 61 Fed. Reg. 11380, 11381 (March 20, 1996); *see also* MPEP 1504.01(a) ("a computer-generated icon must be embodied in a computer screen, monitor, other display panel, or portion thereof, to satisfy 35 U.S.C. 171").

deep in the interface. J.A. 169-70; J.A. 174-76; *see also* J.A. 176 (Apple's Kare admitting that Apple does not "own[] the right to have a colorful matrix of icons" or "icons arranged in rows and columns in a grid matrix").[37]

Notwithstanding that Apple, as the patent-holder, had the burden to prove its damages, it presented no evidence of Samsung's profits from the relevant articles of manufacture. Apple might have, for example, sought to use survey evidence similar to that in the record to demonstrate the value that consumers assign to the relevant articles of manufacture in the accused products. And Apple might have sought to show the price differential between smartphones with and without articles embodying the infringing designs. But it did neither.

Instead, Apple presented only Samsung's *overall* profits from the accused smartphones—even in the face of abundant evidence from its own surveys showing the numerous *non*-design reasons that consumers rank much higher than design in purchasing smartphones. *See supra*, at 9-10. Since Apple failed to differentiate among the numerous articles of manufacture constituting a smartphone, Apple's profits evidence was insufficient as a matter of law and Samsung was entitled to judgment dismissing Apple's claims for infringer's profits under Section 289.

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[37] Apple titled its patent application for the D'305 "Graphical User Interface for a Display Screen or Portion Thereof" (J.A. 554), eliminating any doubt that the relevant "article of manufacture" is the display.

B. The Record Contains No Proof Of Total Profit Made From The Infringement

Whether or not the relevant "article of manufacture" for determining the profits awardable under Section 289 is the entirety of each accused Samsung smartphone as sold to consumers, Apple failed to present evidence sufficient to support an award of any infringer's profits, let alone Samsung's *entire* profits, from the accused phones. As shown above, Section 289 requires the patent-holder to prove the amount of profits attributable to the infringement of its design patents. But Apple presented no proof that Samsung's profits were attributable to infringement of the narrow, partial claims asserted here.

Indeed, Apple failed to offer any properly designed and administered consumer survey as evidence of the extent to which consumers bought the accused smartphones because of the patented designs. Instead, as noted, Apple relied solely on Samsung's total profit on the accused phones without regard to whether the designs claimed here caused any of that profit.

As Apple's own market research in the record below reveals, however, consumers purchased Samsung and other Android phones overwhelmingly for their *non*-design features, such as screen size and quality, multimedia functions, and choice of wireless carriers. *See supra*, at 9 (citing J.A. 486-87); *see also supra*, at 10 (citing J.A. 355; J.A. 438; J.A. 505) (comparable findings from third-party surveys). And Apple's evidence showing that "design" might have mattered to some consumers considered design in general, not the specific patented design features that Apple chose to assert. *See supra*, at 10. Indeed, even Apple has recognized that the value of a smartphone does not rest principally in the phone's design: Apple sought,

in a presentation to Samsung prior to this very lawsuit, to extract royalty payments for Samsung's products based on their *functional* features, asserting that "*[s]oftware* creates the largest share of product value." J.A. 494. And Apple recognized that "[o]perating system, applications, user interface, and services are the key to a differentiated customer experience." *Id.* (emphasis removed).

Thus, Apple failed to show that any of Samsung's profits were attributable to infringement of the claimed designs, and Apple's own consumer surveys showed that design, even in general, had a minimal role in consumer purchasing decisions. Since Apple failed to prove that its narrow designs caused *any* measure of Samsung's sales or profits, the Federal Circuit's judgment should be reversed and entry of judgment directed for Samsung.

C. At A Minimum, A New Trial Is Necessary

If judgment is not directed for Samsung, at the very least, the Federal Circuit's judgment should be vacated based on instructional error, and the case remanded for further proceedings including a new trial with instructions that properly interpret Section 289.

First, the Federal Circuit erred in approving the district court's instruction that, under Section 289, the jury should award the "total profit attributable to the infringing products." Pet. App. 29a; *see id.* 165a. Such an instruction disregards both that the relevant "article of manufacture" for determining total profit under Section 289 was the component to which the patented design was applied (*see supra*, at 28-34) and that Section 289 limits recoverable total profit to the profit "made from the infringement" (*see supra*, at 34-35).

Second, for the reasons given above, the district court erred in declining to give Samsung's proposed instruction that the jury "should award only those profits which were derived from the *article of manufacture* to which Apple's patented design was applied" and that "[t]he *article of manufacture* to which a design has been applied is the *part or portion of the product as sold* that incorporates or embodies the subject matter of the patent." J.A. 206-07 (emphases added). *See supra*, at 20-21.

Third, for the reasons given above, the district court erred in rejecting Samsung's proposed instruction that would have limited recoverable infringer's profits to those profits "attributable to whatever infringement you have found." J.A. 204. That instruction reflects the traditional common-law and equitable principles of causation incorporated into Section 289 that tie monetary recovery to actual loss or gain from wrongful conduct. *See supra*, at 20.

CONCLUSION

The judgment of the court of appeals should be reversed or vacated.

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IN THE

Supreme Court of the United States

SAMSUNG ELECTRONICS CO., LTD., SAMSUNG ELECTRONICS AMERICA, INC., SAMSUNG TELECOMMUNICATIONS AMERICA LLC,

Petitioners,

v.

APPLE INC.,

Respondent.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

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QUESTION PRESENTED

Whether 35 U.S.C. § 289, which provides that a party that infringes a design patent may be held "liable ... to the extent of his total profit" on articles of manufacture to which the patented design is applied, permitted the jury to award the amount that it determined represented Samsung's total profit from sales of Samsung devices that infringed Apple's design patents.

CORPORATE DISCLOSURE STATEMENT

Respondent Apple Inc. has no parent corporation. To the best of Apple's knowledge and belief, and based on public filings with the Securities and Exchange Commission, as of July 29, 2016, no publicly held corporation owns 10% or more of Apple's stock.

TABLE OF CONTENTS

Page

QUESTION PRESENTED i

CORPORATE DISCLOSURE STATEMENT ii

TABLE OF AUTHORITIES v

INTRODUCTION 1

STATEMENT 4

A. Apple's Iconic iPhone Designs And Design Patents 4

B. Samsung's Infringement 7

C. Statutory Framework 12

1. Design patents 12

2. Remedies for design patent infringement 17

D. Proceedings Below 19

SUMMARY OF ARGUMENT 25

ARGUMENT 28

I. SECTION 289 PERMITS RECOVERY OF THE TOTAL PROFIT EARNED ON THE RELEVANT ARTICLE OF MANUFACTURE, IDENTIFICATION OF WHICH IS A QUESTION OF FACT 28

A. Text, History, And Longstanding Judicial Interpretation Permit Recovery Of The Infringer's Total Profit On The Article Of Manufacture To Which The Patented Design Is Applied 28

TABLE OF CONTENTS—Continued

Page

B. Section 289 Does Not Permit, Much Less Require, Samsung's Desired Apportionment Of Profits 31

C. Determining The "Article Of Manufacture" On Which Total Profit Is Recoverable Is A Question Of Fact 35

D. Remand Is Neither Necessary Nor Appropriate 41

II. SECTION 289 REFLECTS SOUND PATENT POLICY, AND ANY REEXAMINATION IS FOR CONGRESS 49

A. Section 289 Provides A Much-Needed Remedy For The Special Harm Of Design Patent Infringement 49

B. Samsung's Hypothetical Parade Of Horribles Does Not Justify Rewriting § 289 53

CONCLUSION 61

APPENDIX

35 U.S.C.

§ 171 ..... 1a

§ 289 ..... 1a

Act of Feb. 4, 1887, ch. 105, 24 Stat. 387 ..... 2a

(DISPUTED) JOINT PROPOSED JURY INSTRUCTIONS, Dkt. 1232 (excerpts) 3a

SAMSUNG'S PROPOSED DISPUTED JURY INSTRUCTIONS AT THE CLOSE OF EVIDENCE, IN ORDER, Dkt. 1238 (excerpts) 5a

TABLE OF AUTHORITIES

CASES

Page(s)

American Fruit Growers, Inc. v. *Brogdex Co.*, 283 U.S. 1 (1931) 36

Amini Innovation Corp. v. *Anthony California, Inc.*, 439 F.3d 1365 (Fed. Cir. 2006) 38

Bergstrom v. *Sears, Roebuck & Co.*, 496 F. Supp. 476 (D. Minn. 1980) 31

Bonito Boats, Inc. v. *Thunder Craft Boats, Inc.*, 489 U.S. 141 (1989) 13, 50, 58

Bush & Lane Piano Co. v. *Becker Brothers*, 222 F. 902 (2d Cir. 1915) 40

Bush & Lane Piano Co. v. *Becker Brothers*, 234 F. 79 (2d Cir. 1916) 39

Catalina Lighting, Inc. v. *Lamps Plus, Inc.*, 295 F.3d 1277 (Fed. Cir. 2002) 32

Chase National Bank of New York v. *Sayles*, 11 F.2d 948 (1st Cir. 1926) 56

City of Springfield v. *Kibbe*, 480 U.S. 257 (1987) 46

Connecticut National Bank v. *Germain*, 503 U.S. 249 (1992) 28

CSX Transportation, Inc. v. *McBride*, 564 U.S. 685 (2011) 34

Dobson v. *Dornan*, 118 U.S. 10 (1886) 17, 29

Dobson v. *Hartford Carpet Co.*, 114 U.S. 439 (1885) 17, 29

TABLE OF AUTHORITIES—Continued

Page(s)

eBay Inc. v. *MercExchange, L.L.C.*, 547 U.S. 388 (2006) 34

Egyptian Goddess, Inc. v. *Swisa, Inc.*, 543 F.3d 665 (Fed. Cir. 2008) 38

Ex parte Adams, 84 O.G. 311 (1898) 37

Ex parte Steck, 98 O.G. 228 (1901) 37

Forest Grove School District v. *T.A.*, 557 U.S. 230 (2009) 37

Gorham Co. v. *White*, 81 U.S. (14 Wall.) 511 (1872) 13, 35, 38, 50, 53, 57

Graham v. *John Deere Co. of Kansas City*, 383 U.S. 1 (1966) 34

Hall v. *Smith*, 46 U.S. (5 How.) 96 (1847) 56

Halo Electronics, Inc. v. *Pulse Electronics, Inc.*, 136 S. Ct. 1923 (2016) 19

Hana Financial, Inc. v. *Hana Bank*, 135 S. Ct. 907 (2015) 46

Hazelton v. *Valentine*, 113 Mass. 472 (1873) 56

Henry Hanger & Display Fixture Corp. of America v. *Sel-O-Rak Corp.*, 270 F.2d 635 (5th Cir. 1959) 31

In re Hruby, 373 F.2d 997 (C.C.P.A. 1967) 36

In re Koehring, 37 F.2d 421 (C.C.P.A. 1930) 14

In re Rubinfield, 270 F.2d 391 (C.C.P.A. 1959) 39

In re Schnell, 46 F.2d 203 (C.C.P.A. 1931) 53

Jones v. *United States*, 527 U.S. 373 (1999) 47

TABLE OF AUTHORITIES—Continued

Page(s)

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DOCKETED CASES

Apple Inc. v. *Samsung Electronics Co.*, No. 12-0630 (N.D. Cal.) 9

Microsoft Corp. v. *Corel Corp.*, No. 15-cv-5836 (N.D. Cal.) 58

STATUTES AND RULES

17 U.S.C.
- § 1301 38
- § 1309 38
- § 1329 38

28 U.S.C. § 1335 56

35 U.S.C.
- § 101 36
- § 171 ..... 17, 39
- § 282 30
- § 289 ..... *passim*

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Act of May 9, 1902, ch. 783, 32 Stat. 193 17

Fed. R. Civ. P.
Rule 14 56
Rule 22 56

S. Ct. R. 15.2 46

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IN THE

Supreme Court of the United States

No. 15-777

SAMSUNG ELECTRONICS CO., LTD., SAMSUNG ELECTRONICS AMERICA, INC., SAMSUNG TELECOMMUNICATIONS AMERICA LLC,

Petitioners,

v.

APPLE INC.,

Respondent.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF FOR RESPONDENT

INTRODUCTION

In 2004, Apple undertook a bet-the-company project to enter the smartphone market. With no assurance of success, Apple spent billions of dollars as hundreds of its employees worked "night[s]," "weekends," "all the time" to create a "new, original, and beautiful object, something that would really wow the world." JA97, 119. Before launch, Apple's risky venture was viewed skeptically. But upon its release in 2007, the iPhone was acclaimed as a revolutionary product that set the standard for smartphone design. As with so many other Apple products, the iPhone's success was directly tied to its

innovative design, including its distinctive front face and colorful graphical touchscreen user interface, which Apple protected with U.S. design patents.

The innovation and beauty of Apple's iPhone designs were hailed by consumers and the press and envied by Apple's largest competitor, Samsung. Challenged by the iPhone's success, Samsung's leadership recognized that Samsung faced a "crisis of design." JA422. Samsung then made a deliberate decision to copy the iPhone's look and many of its user interface features—a decision that revived Samsung's sales. After Samsung refused to stop its blatant copying, Apple sued. A jury found, and the Federal Circuit affirmed, that Apple's design patents are valid and infringed by Samsung.

The only issue before this Court is whether Samsung will be able to avoid fairly compensating Apple for its adjudicated infringement. Samsung takes aim at 35 U.S.C. § 289, which provides that a design patent infringer is "liable ... to the extent of his total profit" on the "article of manufacture" to which the patented design has been applied. Congress enacted this remedy because it recognized that "it is the design that sells the article" and, because profits attributable to design are often "not apportionable," "[i]t is expedient that the infringer's entire profit on the article should be recoverable, as otherwise none of his profit can be recovered." 18 Cong. Rec. 834 (1887). As the Solicitor General correctly notes (Br. 10-15), Samsung's effort to read an apportionment requirement into § 289 is at odds not only with the statute's plain language, but also with Congress's contemporaneous explanation that the remedy was enacted in response to decisions of this Court taking exactly the approach Samsung now advocates. And as the government also correctly explains (Br. 16-31),

identification of the relevant "article of manufacture" on which § 289 allows an award of total profit is a factual question for the jury on which the defendant bears the burden of proof.

There is no reason to remand this case. The government's recognition (Br. 32) that "[i]t is unclear" whether Samsung presented sufficient evidence to satisfy its evidentiary burden is a significant understatement. Samsung introduced *no* evidence that the relevant articles of manufacture were anything other than the whole smartphones and never offered any calculation of § 289 damages based on anything other than the entire phones. Nor was there any error in the instructions given; indeed, the government's recommendation for remand rests on particular language in one instruction that is basically identical to language that Samsung proposed and neither challenged in an objection nor appealed to the Federal Circuit. The jury reached the only possible conclusion based on the trial evidence: that the articles of manufacture to which Samsung applied Apple's patented designs were Samsung's entire phones—a conclusion Samsung did not challenge as unsupported by substantial evidence. Pet. App. 29a. Accordingly, remand is unwarranted.

Samsung invokes highly speculative policy grounds that it believes justify upending the settled interpretation of a statutory remedy first adopted in 1887, readopted in 1952, and left unchanged since then. Samsung's arguments are addressed to the wrong branch of government: It is not for this Court to decide whether to alter the statutory balance that Congress has chosen and left undisturbed for decades. Samsung's farfetched hypotheticals are just that; and they ignore the reality of this case. Samsung is a sophisticated company that chose to copy the design innovations of its big-

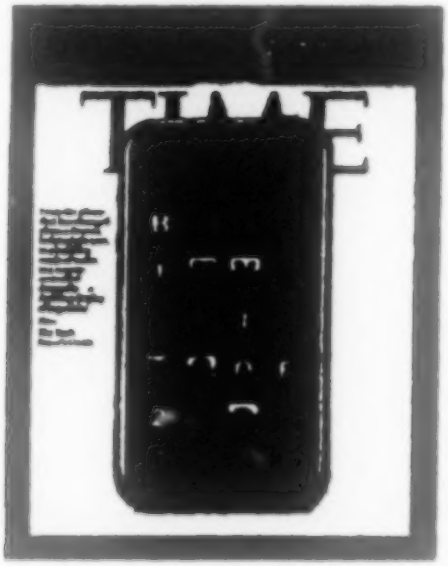
gest competitor and profited significantly from doing so. That is precisely the type of conduct Congress long ago decided deserves an effective remedy.

The judgment should be affirmed.

STATEMENT

A. Apple's Iconic iPhone Designs And Design Patents

The iPhone was Apple's first phone, and its development—which took years and cost billions—was decidedly risky. Dkt. 2840 at 803 ("[W]e were risking both our reputation and the business of the company in doing this.");[1] JA97-98, 122-123. But the gamble succeeded; the iPhone revolutionized the smartphone market. As Time Magazine recognized when it named the iPhone "Invention of the Year" in 2007, one of Apple's "basic insights about technology is that good design is actually as important as good technology." JA459-460.



JA463.

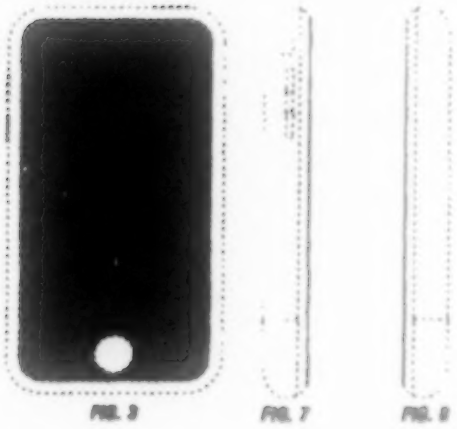
[1] References to "Dkt." are to the district court docket.

The iPhone was "widely hailed for its beauty," which helped "[s]et[] the standard for screen-centric design." JA404, 408; *see also* JA442-443 (New York Times describing iPhone as "gorgeous" with a "shiny black [front face], rimmed by mirror-finish stainless steel" and a "spectacular" user interface); JA448 (Wall Street Journal describing iPhone as "a beautiful and breakthrough handheld computer"). And its impact has been lasting. Earlier this year, Time Magazine named the iPhone the single "most influential gadget[] of all time," explaining: "Apple's device ushered in a new era of flat, touchscreen phones with buttons that appeared on screen as you needed them, replacing the chunkier phones with slide-out keyboards and static buttons." Eadicicco et al., *The 50 Most Influential Gadgets of All Time*, Time, May 3, 2016. "Smartphones had technically existed for years, but none came together as accessibly and beautifully as the iPhone." *Id.*

The iPhone's iconic design is protected by U.S. Design Patent Nos. D618,677 ("D'677 patent"), D593,087 ("D'087 patent"), and D604,305 ("D'305 patent").

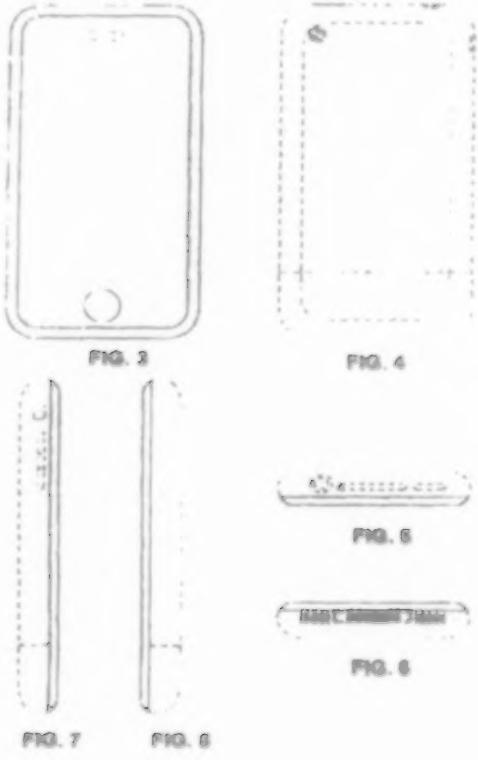
The D'677 patent covers the overall visual impression of the iPhone's distinctive front face, notably the combination of its form factor, black color, speaker slot, and reflective or transparent surface extending edge-to-edge:

FIG. 1



JA577-578.

The D'087 patent covers the iPhone's distinctive combination of its form factor, flat contour of the front face, and bezel (the edge separating the glass display from the rest of the device) extending from the front of the device to the sides:



JA543.

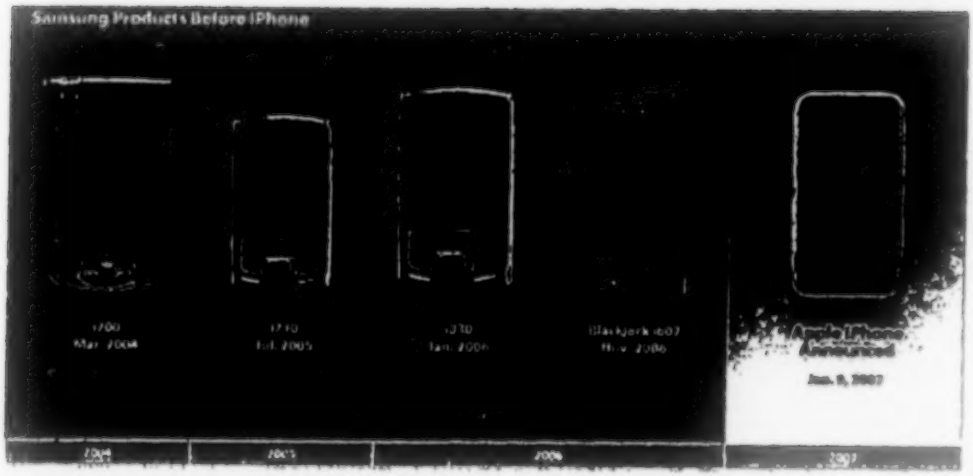
The D'305 patent covers the distinctive design of the iPhone's graphical user interface, including the instantly recognizable arrangement of rows of colorful square icons with rounded corners:

JA564.

B. Samsung's Infringement

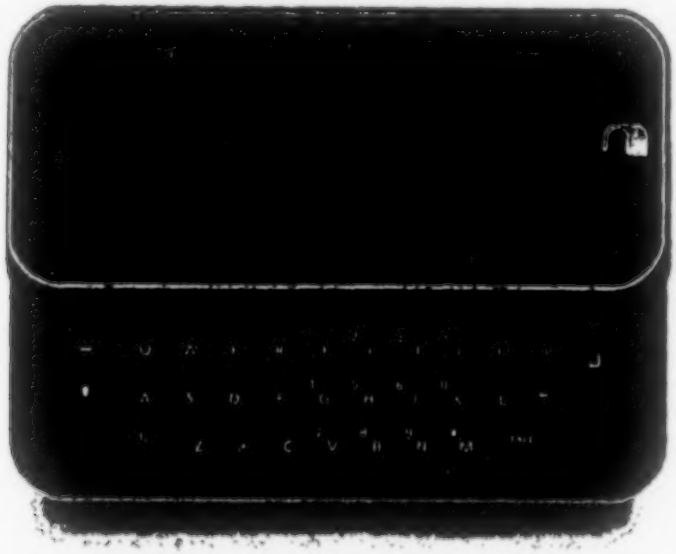
Samsung cobbles together out-of-context citations to out-of-record materials in an attempt to paint itself as a thought leader in the smartphone industry. Pet. Br. 4-10. But the real record—as played out in the actual marketplace and in this litigation—tells a very different story. Apple innovated; Samsung copied.

Before the iPhone's release in 2007, mobile phones—including Samsung's—were bulky, inelegant boxes with multiple buttons and protruding antennae:



JA356.

Samsung points (Br. 5) to "mockups and prototypes for round-cornered rectangular flat-screened smartphones" it claims to have developed before the iPhone. In addition to being just that—mockups and prototypes—*all* of those designs have slide-out keyboards, which the iPhone does not.



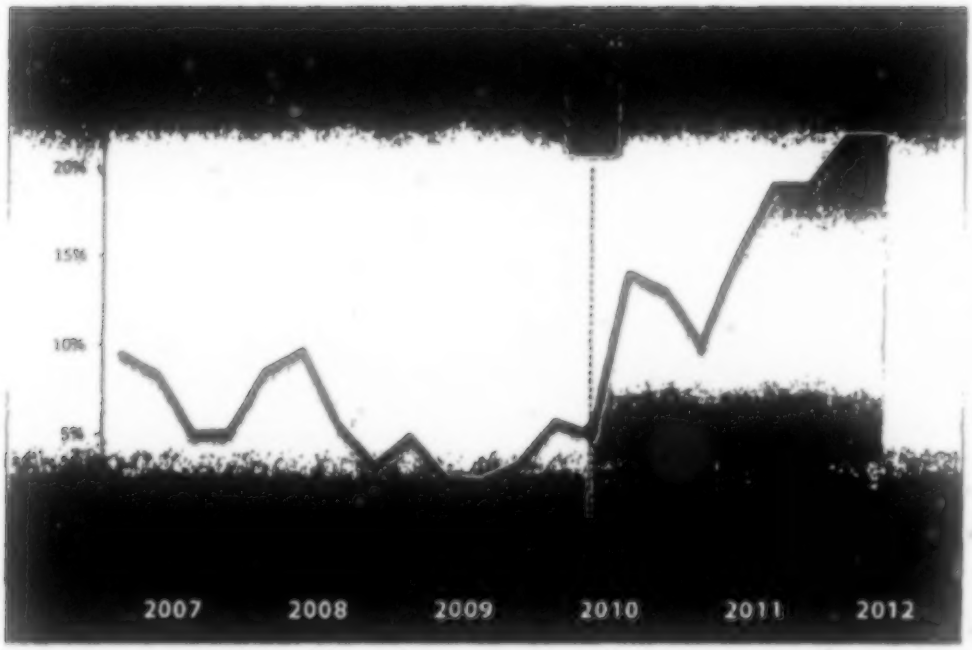
E.g., JA253 (Samsung Q-Bowl prototype); *see also* JA248-252, 254-256, 266, 523; *cf.* JA121-122 (Apple executive explaining that Apple "didn't want to have a physical keyboard" and that "many people thought we

were actually crazy to try to build something without any form of physical keyboard"). The truth, as told by one of Samsung's executives, was that Samsung did not have any products that could truly compete with the iPhone when it was released. Tr. 1606, Dkt. 1716, *Apple Inc.* v. *Samsung Elecs. Co.*, No. 12-0630 (N.D. Cal. Apr. 14, 2014) ("[B]y [2007] we didn't have any real kind of good comparative smartphones yet.").

The iPhone took the market by storm, selling more than 25 million units between June 2007 and July 2010. Dkt. 1597-1 at 3. A survey and market analysis commissioned by Samsung described the iPhone as "a revolution" and concluded that the iPhone's "strong, screen-centric design" had "set the standard" and "ha[d] come to equal what's on trend and cool for many consumers." JA404, 406. By February 2010, Samsung realized that it faced "a crisis of design." JA422. Samsung's top executives acknowledged that, when its phones were "compared to the unexpected competitor Apple's iPhone, the difference [wa]s truly that of Heaven and Earth." *Id.*

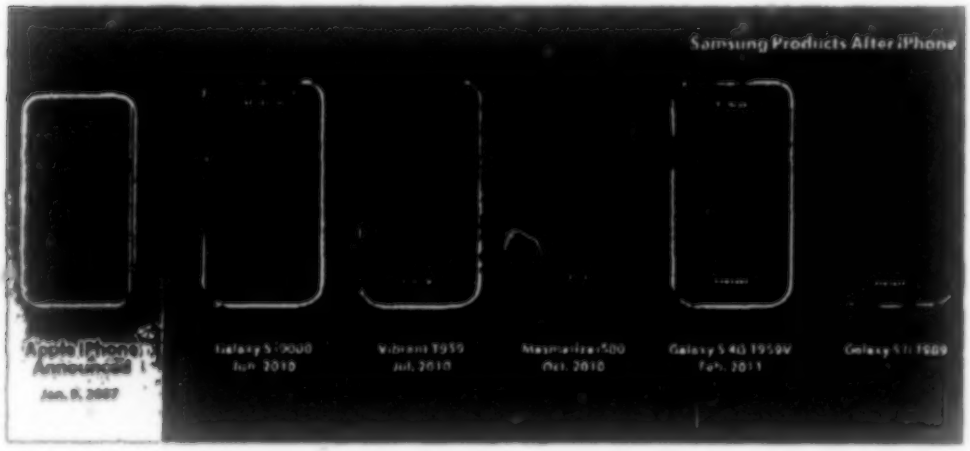
Forced to admit that "Apple ha[d] overtaken Samsung as the most stylish brand overall," JA407, Samsung opted not to compete through its own innovations, but instead to copy Apple, JA417 ("I hear things like this: Let's make something like the iPhone."). Over the next three months, Samsung meticulously and systematically copied the look and feel of the iPhone, a campaign that culminated in the release of Samsung's first infringing smartphones in the summer of 2010. Dkt. 2842 at 1048; JA212.

Samsung's strategy worked; its market share swung "abrupt[ly] upward." JA188-189.



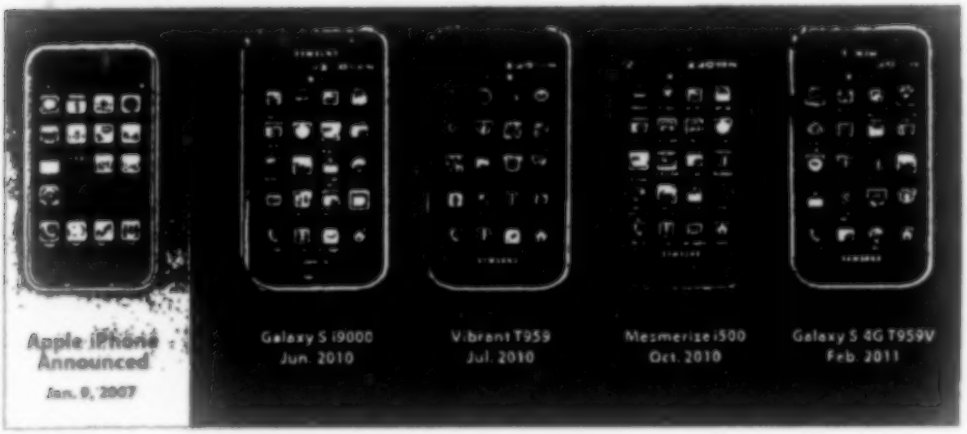
JA351. Samsung's 2010 jump in market share was nearly entirely attributable to its infringing smartphones. JA302. And Samsung's market share continued to skyrocket—from 5% to 20% in just two years. JA351.

During this time, Samsung transformed many of its products into clones of Apple's breakthrough smartphone:



JA358.

Samsung's wholesale copying also extended to the iPhone's distinctive graphical user interface:



JA352.

The jury heard that the similarities were "beyond coincidental." JA170-171. It also saw evidence of Samsung's blatant efforts to trade on the iPhone's ingenious design. One internal Samsung document included 126 pages of side-by-side comparisons of iPhone icons and user interface features next to Samsung phones in development—page after page touting the benefits of the iPhone and providing specific "[d]irections for [i]mprovement" to make Samsung's graphical user interface, icons, and other features look like Apple's. *E.g.*, JA426-428; *see also* Dkt. 2842 at 1052-1053.

Apple and the market took notice. As Apple marketing executive Phil Schiller testified, he was "astonish[ed]" and "shocked" when he first saw Samsung's Galaxy S phone: "My first thought was wow, they've completely copied the iPhone[.]" JA315. A WIRED magazine article entitled *Samsung Vibrant Rips Off iPhone 3G Design* observed that Samsung's design "[wa]s shockingly similar to the iPhone 3G: [t]he rounded curves at the corners, the candybar shape, the glossy, black finish and the chrome-colored metallic

border around the display," and proclaimed that "there's little to make the [Vibrant] notable, apart from its striking similarity to the iPhone." JA359-360. And the Wall Street Journal explained that Samsung's Vibrant phone "has rounded corners and a prominent border that make it look very much like last year's iPhone." JA361.

The jury also took notice. In a now-conclusive liability verdict, it found that eighteen Samsung smartphone models infringed Apple's design patents. JA272-280. In other words, the jury concluded that the design of eighteen separate Samsung smartphones was "substantially similar" to the patented design of the iPhone such that "in the eye of an ordinary observer, giving such attention as a purchaser usually gives, the resemblance between the two designs [wa]s such as to deceive an observer, inducing him to purchase one supposing it to be the other." Dkt. 1903 at 63 (Final Jury Instruction No. 46). Collectively, two juries awarded Apple $399 million in damages—the amount determined to be Samsung's profits from its sales of millions of infringing smartphones.[2]

C. Statutory Framework

1. Design patents

Congress first enacted protection for "any new and original design for a manufacture" in 1842. Act of Aug. 29, 1842, ch. 263, § 3, 5 Stat. 543-544. Design patent protection was intended to "fill a gap between copy-

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[2] No damages were awarded for two of the eighteen infringing models for which there were no U.S. sales. JA279-280; Dkt. 1597-1 at 1. Damages for five of the infringing models were set to be determined at a further trial in March 2016, which was postponed pending resolution of this appeal. Dkt. 3472 at 1-2.

right protection for authors and patent protection for inventors in the mechanical arts." 8 *Chisum on Patents* § 23.02 (2014). While utility patents protect functional inventions and copyrights protect works of art, design patents protect designs applied to or incorporated within functional objects. *See Bonito Boats, Inc.* v. *Thunder Craft Boats, Inc.*, 489 U.S. 141, 148 (1989); *Mazer* v. *Stein*, 347 U.S. 201, 218 (1954); *see also* BSA Br. 17-20; Nike Br. 24-28.

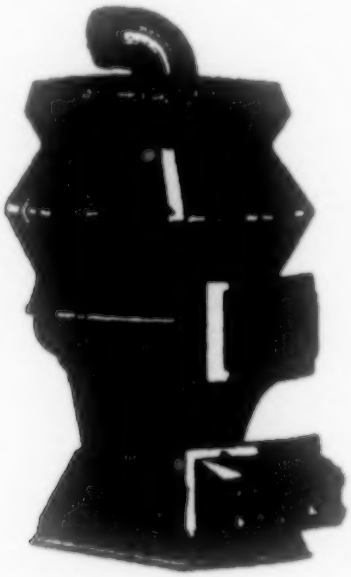
Congress was spurred to create the design patent right by the emergence of intricate designs for sophisticated items like cast-iron stoves. Du Mont & Janis, *The Origins of American Design Patent Protection*, 88 Ind. L.J. 837, 851 (2013). Well-designed stoves were popular because, even if a consumer "found the mechanics of the product to be baffling," he "could always depend on what his senses told him" about the visual appeal of the product. *Id.* When manufacturers discovered the importance consumers placed on design, they "began to pay particular attention to the notion that artistic values applied to utilitarian manufactures might also increase their saleability." *Id.*

Congress recognized "that giving certain new and original appearances to a manufactured article may enhance its salable value, may enlarge the demand for it, and may be a meritorious service to the public." *Gorham Co.* v. *White*, 81 U.S. (14 Wall.) 511, 525 (1872). As this Court explained, "the thing invented or produced, for which a patent is given, is that which gives a peculiar or distinctive appearance to the manufacture, or article to which it may be applied, or to which it gives form." *Id.* "[I]n basing a patent right upon the ornamentation or beauty of a tool or mechanical device, ... Congress expressed a desire to promote more beauty, grace, and ornamentation in things used, ob-

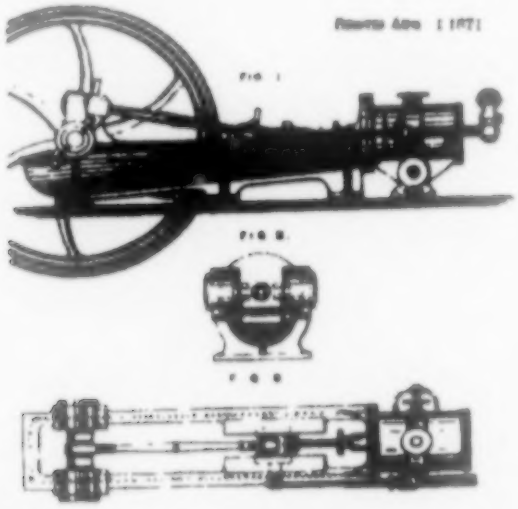
served, and enjoyed by our people." *In re Koehring*, 37 F.2d 421, 422 (C.C.P.A. 1930).

Inventors soon obtained design patents on a wide variety of products, including not only mere decorative items, but also complex, multi-component items, such as:

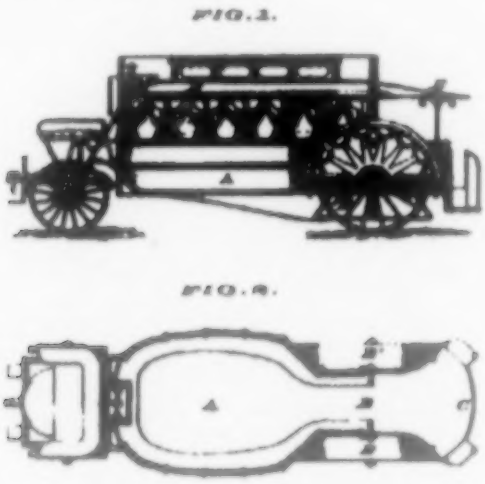
D5,075 Design for Hot-Air Furnace (1871) (claiming the design for a hot-air furnace, including "the upper portion ... in which the side pipes ... are separated from each other by airspaces" and "arranged radially and vertically with relation to other portions of the furnace");



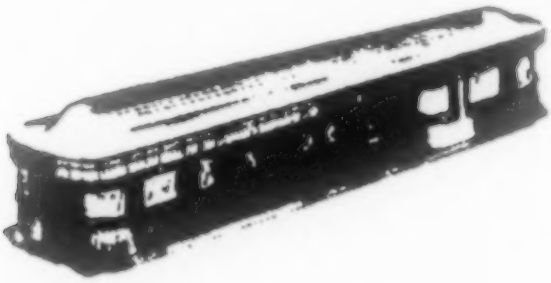
D5,146 Design for a Steam Engine (1871) (claiming "[t]he design for a steam-engine substantially as shown")



D7,166 Design for Street-Cars (1874) (claiming "[t]he general design for a street-car," including the "body," "wheel-guards," and "roof");

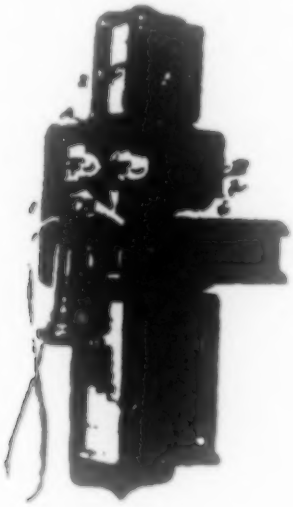


D16,659 Design for a Railway-Car Body (1886) (covering "a design for a railway car ... and ornamentation of the body thereof"—specifically, a car with "inclosed end compartments of full width and a central portion of less width," and "rounded corners with windows").



Design patents were even issued on early telephones:

D12,179 Design for Telephonic Apparatus (1881) (claiming "design for a telephonic apparatus" with a back board "widened at its central portion and narrowed at its upper and lower ends," a "disk-shaped magneto box supported on the widened portion," and a transmitter above and battery-box below).



In 1902, Congress revised the design patent statute to define the eligible subject matter as "any new, original, and ornamental design for an article of manufacture." Act of May 9, 1902, ch. 783, 32 Stat. 193. The modified definition was carried forward verbatim in the Patent Act of 1952, which remains in force today. 35 U.S.C. § 171(a).

2. Remedies for design patent infringement

Before 1887, apportionment was required, and a design patent owner whose patent was infringed "could recover only the proportionate amounts [of profits] that were proven to be attributable to the patented feature." *Nike, Inc.* v. *Wal-Mart Stores, Inc.*, 138 F.3d 1437, 1441 (Fed. Cir. 1998). The inadequacy of that remedy became apparent in this Court's *Dobson* decisions, which affirmed the lower court's finding of infringement, but ordered damages of just six cents after concluding that the patentee failed to provide "reliable evidence[] that the entire profit is due to the [patented design]." *Dobson* v. *Hartford Carpet Co.*, 114 U.S. 439, 444 (1885); *Dobson* v. *Dornan*, 118 U.S. 10, 17-18 (1886); *see also Nike*, 138 F.3d at 1441 (recounting history).

Almost immediately, Congress addressed the "emergency" the *Dobson* decisions created, which Congress likened to a "virtual repeal" of the design patent laws. 18 Cong. Rec. 834 (1887); S. Rep. No. 49-206, at 1-2 (1886). Congress enacted the Design Patent Act of 1887, which created a special "new rule of recovery for design patents" because, in the words of the House Committee on Patents:

> It is expedient that the infringer's entire profit on the article should be recoverable, as otherwise none of his profit can be recovered, for it

> is not apportionable; and it is just that the entire profit on the article should be recoverable ... , for it is the design that sells the article, and so that makes it possible to realize any profit at all[.]

18 Cong. Rec. 834; *see* U.S. Br. 12-13 (recounting history). Consistent with that explanation, the statute provided that an infringer "shall be liable" to a design patent holder for $250 or, "in case *the total profit made* by [the infringer] from the manufacture or sale ... of the article or articles to which the design, or colorable imitation thereof, has been applied, exceeds [$250], [the infringer] *shall be further liable for the excess of such profit* over and above [$250]." Act of Feb. 4, 1887, ch. 105, § 1, 24 Stat. 387, 387 (emphases added). Nothing in the text suggested that the provision was limited to certain types of articles—quite the contrary, the statute made it "unlawful" for "any person other than the" patent owner to apply a patented design "to *any* article of manufacture." *Id.* (emphasis added).

The House Committee on Patents explained that "[t]he patentee recovers the profit actually made on the infringing article ... that is, what the infringer realized from the infringing articles minus what they cost him." 18 Cong. Rec. 834. In short, because of the importance of design and Congress's determination that apportionment is difficult and impractical in the design patent context, *id.*, the 1887 Act "remove[d] ... the need to apportion the infringer's profits between the patented design and the article bearing the design," *Nike*, 138 F.3d at 1442; *see Untermeyer* v. *Freund*, 58 F. 205, 212 (2d Cir. 1893) ("The rule which [C]ongress declared for the computation of profits was the total profit from the manufacture or sale of the article to which the design was applied, as distinguished from the pre-existing rule

of the profit which could be proved to be attributable to the design.").

Congress retained the "total profit" remedy in § 289 of the Patent Act of 1952, which remains in effect today. U.S. Br. 13. Entitled "Additional remedy for infringement of design patent," § 289 provides that a design patent infringer who "(1) applies the patented design, or any colorable imitation thereof, to any article of manufacture for the purpose of sale, or (2) sells or exposes for sale any article of manufacture to which such design or colorable imitation has been applied shall be liable to the owner [of the design patent] to the extent of his total profit."

D. Proceedings Below

In August 2010 Apple asked Samsung to stop copying the iPhone. JA429-433; Dkt. 1695 at 1958-1960. Rather than comply with that request, Samsung doubled down on its copying—releasing more infringing products and forcing Apple to bring this lawsuit.

Following a thirteen-day trial in 2012, a jury found Apple's three asserted design patents valid and infringed and awarded damages. JA272-280. The jury also found that Samsung's infringement of the D'677 and D'305 patents was willful. JA277.[3] After a partial retrial on damages for some of Samsung's infringing products, the district court entered judgment in Apple's favor. Pet. App. 5a.

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[3] Although the district court later granted judgment of no willfulness based on the objective reasonableness of Samsung's litigation defenses—a basis no longer independently sufficient to deny a willfulness claim, *Halo Elecs., Inc.* v. *Pulse Elecs., Inc.*, 136 S. Ct. 1923 (2016)—the district court did not disturb the jury's findings of subjective willfulness. Dkt. 2220 at 26-27, 30-32.

Leading up to the first trial, Samsung proffered a damages report by its expert Michael Wagner. In calculating design patent damages, Wagner's report sought to "[d]etermin[e] the profits of the accused products." JA67. Wagner's report never asserted that the relevant "articles of manufacture" for purposes of Apple's § 289 remedy were anything less than Samsung's entire phones. Accordingly, Wagner's report did not include any calculation of Samsung's profits for any individual smartphone components. JA64-67.[4]

Wagner did seek to "apportion" by trying to separate the portion of profits supposedly attributable "to the design-related IP at issue" from those attributable to other features, but not to any smaller "article of manufacture." JA67; *see generally* JA64-85. Based on surveys regarding consumers' reasons for purchasing smartphones generally, Wagner "apportion[ed] 1% of Samsung's profits" on the entire smartphone "to possible design elements allegedly taken from Apple." JA84. Wagner alternatively concluded that *none* of Samsung's profits were attributable to Apple's "asserted design-related IP," such that Apple's remedy under § 289 was zero. *Id.*[5] The district court excluded Wag-

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[4] In responding to the damages calculation set forth by Apple's expert, Wagner disputed only whether certain operating expenses (*e.g.*, advertising costs, depreciation, insurance, labor costs, office supplies) should be deducted when calculating Samsung's profits on its phones. JA55-64. Wagner never suggested that Apple's expert had erred by treating the entire smartphone as the article of manufacture. *Id.*

[5] Wagner also concluded that Apple was entitled to a paltry $1,152 as a lump-sum reasonable royalty for Samsung's sale of more than eight million smartphones that infringed Apple's design patents. Dkt. 3198 at 6; Dkt. 1597-1.

ner's effort to apportion Samsung's profits under § 289 as "contrary to law." JA87.

Just before trial, the parties submitted a joint pre-trial statement identifying disputed factual and legal issues. Dkt. 1189. In that filing, Samsung did not raise the identity of the infringing "article of manufacture" to which the patented design was applied as a disputed factual or legal issue. *Id.* In a subsequent trial brief, Samsung identified the article of manufacture as a *legal* issue for resolution by the district court, not the jury. Dkt. 1300 at 19-20.

At both trials, the parties presented expert testimony on design patent damages. Apple's experts Terry Musika and Julie Davis calculated Samsung's total profit for each infringing smartphone. *E.g.*, JA190-191, 290-292. In response, and consistent with his pre-trial report, Samsung's damages expert presented the jury with his own "calculation as to what Samsung's total profits were on the [infringing] *phones*." Dkt. 1842 at 3031 (emphasis added); *see also* JA334 (Wagner: "This is my calculation of ... the total profit of Samsung ... for the seven *products* that have been found to infringe the design patents." (emphasis added)); *see generally* Dkt. 1842 at 3021-3022; JA333-337. Samsung did not proffer any evidence or otherwise suggest to the jury that the infringing articles of manufacture were anything less than its entire smartphones. Nor did Samsung present any alternative damages evidence that would have allowed the jury to assess the "total profit" attributable to anything other than the whole phones.[6]

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[6] Apple presented additional evidence supporting that Samsung's smartphones (and not merely their glass front face, rim, and display screen) were the relevant "article[s] of manufacture" under § 289 because the look and feel of smartphones are inextricably

The district court gave the jury detailed instructions on the remedies available for design patent infringement. As relevant here, the instructions stated:

> In this case, Apple seeks Samsung['s] ... profits from sales of products alleged to infringe Apple's design patents. If you find infringement by any Samsung defendant and do not find Apple's design patents are invalid, *you may award Apple that Samsung defendant's total profit attributable to the infringing products.*
>
> The "total profit" of [Samsung] *means the entire profit on the sale of the article to which the patented design is applied*, and not just the portion of profit attributable to the design or ornamental aspects covered by the patent. "Total profit" does not include profit attributable to other products that may be sold in association with an infringing article embodying the patented design.
>
> If you find infringement by any Samsung defendant, Apple is entitled to all profit earned by that defendant on *sales of articles that infringe Apple's design patents.* Profit is determined by deducting certain expenses from gross revenue. Gross revenue is all of the infringer's receipts *from the sale of articles using any design found infringed.* Apple has the burden of proving the infringing defendant's gross revenue by a preponderance of the evidence.

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intertwined with customers' views of the devices' hardware, software, and overall appeal. *See* JA97, 107-110, 115-116, 121-122, 148-149, 310, 315-316, 326-327; Dkt. 1610 at 660-661.

JA269 (emphases added). This instruction closely tracked an instruction Samsung had proposed. *See* Dkt. 1232 at 210 (App. 3a-4a); Dkt. 1238 at 69 (App. 5a-6a); JA203-204. The only substantive difference was that the district court omitted Samsung's proposed "apportionment" language, which would have improperly allowed Samsung to reduce the remedy by attempting to prove "the portion of the profit attributable to factors other than use of the infringed design." JA204.

Samsung had also proposed an additional instruction, which would have instructed the jury in relevant part that:

> [t]he article of manufacture to which a design has been applied *is the part or portion of the product as sold that incorporates or embodies* the subject matter of the patent. Where the article of manufacture is a case or external housing of the device, then only the profits from the sale of the case or external housing of the device should be awarded. Under these instructions, an award of profits for design patent infringement *should not include profits earned from the technology by which the devices operate or from any other functions of the devices.*

JA207 (emphases added). The district court refused to give that instruction, which improperly suggested that the article of manufacture was necessarily only a "part or portion of the product as sold" and sought to require the jury to apportion damages among various "functions." *Id.*

In its post-trial motions, Samsung argued that the jury's award under § 289 "should be set aside for failure to apportion Samsung's profits between the patented designs and other non-patented elements of the devic-

es." Dkt. 2877 at 30 n.11; *see also* Dkt. 2013 at 18-19. The district court rejected Samsung's argument, ruling that "Congress specifically drafted the design patent remedy provisions to remove an apportionment requirement that the Supreme Court had imposed. Thus, there is simply no apportionment requirement for infringer's profits in design patent infringement under § 289." Pet. App. 133a.

On appeal, the Federal Circuit held that § 289's "clear statutory language"—which "explicitly authorizes the award of total profit"—and the legislative history showed that Samsung's desired "'apportionment' requirement" reflected an approach that "Congress rejected" for design patent infringement. Pet. App. 27a-28a. The Federal Circuit explained that Samsung's and its amici's "policy arguments" against this rule "should be directed to Congress" rather than the courts. *Id.* 28a n.1.

The Federal Circuit also rejected Samsung's argument that the jury should have been instructed, as a matter of law, that the "article of manufacture" must be limited to "'the portion of the product as sold that incorporates or embodies the subject matter of the patent.'" Pet. App. 29a (quoting Samsung C.A. Br. 38). In distinguishing Samsung's cited authorities, the Federal Circuit recognized that the relevant "article of manufacture" depends on the "factual situation" of the particular case. *Id.* The court explained that the "facts at hand are different" from prior cases invoked by Samsung: The record showed that Samsung's smartphones are a single, unitary "article of manufacture" because "[t]he innards of Samsung's smartphones were not sold separately from their shells ... to ordinary purchasers." *Id.* The Federal Circuit thus concluded that "there was no legal error in the jury in-

struction on the design patent damages." *Id.* The court also noted that "Samsung [did] not argue a lack of substantial evidence to support the damages awards under the district court's jury instruction." *Id.* Samsung's petition for rehearing and rehearing en banc was denied without dissent. *Id.* 154a-155a.

This Court denied Samsung's petition for certiorari insofar as it challenged the finding of infringement, such that it is now settled that Samsung infringed Apple's valid design patents. This Court granted certiorari on Samsung's second question presented, which challenges the award of the total profits on Samsung's infringing phones, as computed by the jury.

SUMMARY OF ARGUMENT

I. Section 289 provides that infringers of design patents are "liable ... to the extent of [their] total profit" on infringing articles of manufacture. Congress adopted this remedy immediately after this Court's *Dobson* decisions required design patent plaintiffs to apportion damages, manifestly intending to allow design patentees to recover the entirety, not merely a portion, of the defendant's profit on the infringing article. Congress explained that the *Dobson* decisions produced unjust results because "it is the design that sells the article, and so that makes it possible to realize any profit at all." 18 Cong. Rec. 834 (1887). Congress reaffirmed the total profit remedy in 1952, when it enacted § 289 in its current form. The judicial interpretation of § 289 has not wavered, and Congress's satisfaction with the statute is reflected by the lack of any amendment for more than sixty years.

Samsung's efforts to read an apportionment requirement into the statute are misplaced. Samsung re-

lies on language in § 289 that is directed to the prevention of double recovery and case law interpreting different statutes with different histories. Samsung's invocation of "background principles" cannot overcome Congress's evident intent, expressed in the clear text and legislative history. The Court should decline to reinstate an apportionment rule that Congress plainly rejected.

As the government explains (Br. 16), determining the relevant "article of manufacture" on which the infringer's "total profit" should be awarded is, when disputed, a factual question for the jury. The defendant bears the burden of establishing that the infringing "article of manufacture" is anything less than the product as sold. The decisions below are perfectly consistent in treating the article of manufacture as a factual question; nothing in the jury instructions or the Federal Circuit's decision suggested that the relevant article of manufacture must always be the entire product as sold. Rather, the district court left the issue to the jury, and the Federal Circuit recognized that the outcome turned on "[t]he facts at hand." Pet. App. 29a.

No remand is warranted because Samsung failed to offer evidence supporting any outcome other than the jury's conclusion that Samsung's entire smartphones are the infringing articles of manufacture to which the patented designs were applied. Indeed, Samsung's own damages expert calculated § 289 profits only on the infringing smartphones in their entirety, and Samsung never argued to the jury that the relevant articles were anything other than its smartphones. Samsung objects that the district court erred in failing to give a requested instruction regarding the "article of manufacture," but Samsung's proposed instruction contained numerous legal errors and was unsupported by the evidence.

The government's suggestion (Br. 31) for a remand is based on one sentence in the instruction given by the district court, which stated that the jury "may award Apple" Samsung's "total profit attributable to the infringing products." JA269. But that statement was adapted from language *Samsung* proposed, and Samsung never objected to, or appealed, the court's adoption of Samsung's proffered verbiage. Any error would be harmless in light of Samsung's utter failure to proffer evidence, and there was no error in any event; the instructions as a whole repeatedly told the jury that the total profit award should be based "on sales of *articles* that infringe Apple's design patents" and did not prejudge the identification of those articles. *Id.* (emphasis added). Accordingly, the Court should affirm, not remand.

II. Samsung's speculative policy arguments do not warrant a different result. Section 289 reflects Congress's sound judgment about the significant value of design and the difficulty in apportioning damages when design patents are infringed. Samsung's unsupported assertions about the effects of § 289 are for Congress, not this Court. If anything, altering the longstanding balance struck by Congress would have a significant negative impact on American industry. As amici explain, Samsung's requested changes would empower counterfeiters and producers of knock-offs, leading to reductions in investment in industrial design, an important sector of our national economy.

Samsung ventures that the Federal Circuit's decision will lead to various bad outcomes. But the Federal Circuit did nothing new in this case, and Samsung fails to explain why the Federal Circuit's straightforward application of long-settled law will yield a parade of horribles that has not arisen in the nearly 130 years

since Congress enacted the total profit remedy. Samsung's far-fetched hypotheticals regarding disproportionate awards are addressed by this Court's test for design patent infringement, under which a jury would never confuse a car with a cupholder design. A variety of established mechanisms—such as interpleader, impleader, equitable assignment, and exoneration—exist to avoid an inequitable multiple recovery. Samsung's overblown concerns about non-practicing entities pursuing innocent infringers are not borne out in reality. And they certainly have nothing to do with this case, which involves a sophisticated corporation's deliberate copying of the innovative designs of a major competitor.

ARGUMENT

I. SECTION 289 PERMITS RECOVERY OF THE TOTAL PROFIT EARNED ON THE RELEVANT ARTICLE OF MANUFACTURE, IDENTIFICATION OF WHICH IS A QUESTION OF FACT

A. Text, History, And Longstanding Judicial Interpretation Permit Recovery Of The Infringer's Total Profit On The Article Of Manufacture To Which The Patented Design Is Applied

"[C]ourts must presume that a legislature says in a statute what it means and means in a statute what it says." *Connecticut Nat'l Bank* v. *Germain*, 503 U.S. 249, 253-254 (1992). Section 289 is clear. It provides that whoever "applies [a] patented design, or any colorable imitation thereof, to any article of manufacture for the purpose of sale," or "sells or exposes for sale any article of manufacture to which such design ... has been applied shall be liable to the owner to the extent of his total profit." The Federal Circuit thus unremarkably held that § 289's text "explicitly authorizes the award of

[the infringer's] total profit from the article of manufacture bearing the patented design." Pet. App. 28a. As the Solicitor General correctly notes (Br. 11), "total profit" is unambiguous—total means the "entirety." The source of the "total profit" for which the infringer "shall be liable" is also clear—it is sale of the "article of manufacture to which the design has been applied." *Id.*

The statute's plain meaning is bolstered by its history and purpose. In the mid-1880s, this Court limited design patent damages to "the proportionate amounts [of profit] that were proven to be attributable to the patented feature." *Nike, Inc.* v. *Wal-Mart Stores, Inc.*, 138 F.3d 1437, 1441 (Fed. Cir. 1998) (discussing *Dobson* v. *Dornan*, 118 U.S. 10 (1886); *Dobson* v. *Hartford Carpet Co.*, 114 U.S. 439 (1885)). Congress expressed concern that, under the *Dobson* decisions, "the design patent laws provide no effectual money recovery for infringement," 18 Cong. Rec. 834 (1887), and responded by creating a special "rule of recovery for design patents," *id.*, that entitled the patent owner to recover an infringer's total profit "from the manufacture or sale ... of the article or articles to which the design, or colorable imitation thereof, has been applied," Act of Feb. 4, 1887, ch. 105, § 1, 24 Stat. 387, 387; *see supra* pp. 17-18. Congress thought it "expedient that the infringer's entire profit ... should be recoverable, as otherwise none of his profit can be recovered, for it is not apportionable; and it is just that the entire profit ... should be recoverable ... , for it is the design that sells the article, and so that makes it possible to realize any profit at all." 18 Cong. Rec. 834. As the Second Circuit explained soon thereafter, the 1887 statute entitled the patent owner to "the total profit from the manufacture or sale of the article to which the [patented] design was

applied." *Untermeyer* v. *Freund*, 58 F. 205, 212 (2d Cir. 1893).

Congress has repeatedly revised the patent statutes since 1887, but has always retained the total profit remedy for design patent infringement. Quite the contrary, "[i]n 1946, Congress abolished the recovery of infringer profits for infringement of *utility patents* but left unchanged the special 'total profit' provision for design patents." 7 *Chisum on Patents* § 20.03[5] (2014) (emphasis added). And in 1952 Congress reaffirmed that remedy by enacting § 289, which continues to provide that a design patent owner is entitled to the infringer's "total profit" from the sale of the infringing article of manufacture.[7]

Congress's preservation of the "total profit" remedy is particularly significant given its longstanding judicial interpretation. *See Microsoft Corp.* v. *i4i Ltd. P'ship*, 564 U.S. 91, 113 (2011) (upholding Federal Circuit's interpretation of 35 U.S.C. § 282 where, "[f]or nearly 30 years, the Federal Circuit has interpreted § 282 as we do today" without congressional disapproval). Courts have continually reaffirmed that both § 289 and its predecessor establish a "total profit" remedy, without apportionment. *E.g.*, *Nike*, 138 F.3d at 1442 ("The difference for design patents, as enacted in 1887, was the removal of the need to apportion the infringer's profits between the patented design and the article bearing the design."); *Trans-World Mfg. Corp.* v. *Al Nyman & Sons, Inc.*, 750 F.2d 1552, 1567 (Fed. Cir. 1984) (§ 289's predecessor rejected the *Dobson* rule

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[7] The 1952 Act did not convert the "total profit" remedy into a strict liability remedy. *Contra* Pet. Br. 16. A patentee still must satisfy the notice and marking requirement. *Nike*, 138 F.3d at 1446.

that "an apportionment was required"); *Schnadig Corp.* v. *Gaines Mfg. Co.*, 620 F.2d 1166, 1171 (6th Cir. 1980) (explaining that the purpose of § 289 "is to place the patentee in the shoes of the infringer"); *Henry Hanger & Display Fixture Corp. of Am.* v. *Sel-O-Rak Corp.*, 270 F.2d 635, 643-644 (5th Cir. 1959) ("Profits of the [design patent] infringer are evidence of the damages sustained by the holder of the patent and may be the measure of damages."); *Untermeyer*, 58 F. at 212 (noting Congress's intent to "distinguish[] from the pre-existing rule," which limited a patent owner's recovery to "the profit which could be proved attributable to the design"); *Bergstrom* v. *Sears, Roebuck & Co.*, 496 F. Supp. 476, 495 (D. Minn. 1980) ("[I]t is unlikely that Congress would have used such all encompassing language if it intended that a design patentee could only recover profits attributable solely to the design or ornamental qualities of the patented article.").[8]

B. Section 289 Does Not Permit, Much Less Require, Samsung's Desired Apportionment Of Profits

In the face of the statute's text, history, and purpose, Samsung nonetheless argues that § 289 requires a design patent plaintiff to apportion profits attributable

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[8] Congress's determination is so clear that some of Samsung's own amici (before becoming amici) publicly admitted that failing to award Apple "Samsung's entire profits" in this case would have been "wrong as a matter of law." Lemley, *A Rational System of Design Patent Remedies*, 17 Stan. Tech. L. Rev. 219, 220-221 & n.3 (2013); *see also id.* at 223 ("By its terms, [§ 289] provides that design patent cases can no longer apportion damages."); Risch, *Functionality and Graphical User Interface Design Patents*, 17 Stan. Tech. L. Rev. 53, 60 (2013) ("[D]esign patents allow for much greater damages [than copyright]: all of the defendant's profits.").

to the claimed design from profits attributable to "hundreds of thousands of other functional features having nothing to do with any patented design." Pet. Br. 25. Samsung is flatly wrong.

1. Samsung relies (Br. 34-35) on the final phrase of § 289, which provides that the patent holder "shall not twice recover the profit made from the infringement." Samsung provides no convincing reason why this language should be read as a backhanded contradiction of the clear language about the patentee receiving "total profit." *See supra* pp. 28-29. In fact, the House Committee on Patents explained the purpose of the second paragraph of § 289 and its predecessor: It simply "save[s] all the rights of defendants against any possible double recovery for the same infringement." 18 Cong. Rec. 834; *see also Catalina Lighting, Inc.* v. *Lamps Plus, Inc.*, 295 F.3d 1277, 1291 (Fed. Cir. 2002) (this language "insure[s] that a patentee [can]not recover both the profit of an infringer and some additional damage remedy from the same infringer, such as a reasonable royalty" (internal quotation marks omitted)).

Samsung claims (Br. 34-35) that *Sheldon* v. *Metro-Goldwyn Pictures Corp.*, 309 U.S. 390 (1940), "enforced a similar limitation" in the Copyright Act of 1909 to impose an apportionment requirement. But *Sheldon* relied heavily on the fact that Congress intended the infringer's profits remedy for copyright infringement to resemble the remedy for *utility* patent infringement, which does require apportionment. 309 U.S. at 399-404. Not only did the Copyright Act's legislative history have "no suggestion that Congress intended that the award of profits should be governed by a different principle in copyright cases [compared to utility patent cases,] but the contrary is clearly indicated by the committee reports on the bill." *Id.* at 400. In contrast, the de-

sign patent statute and its legislative history make crystal clear that Congress viewed utility patent "remedies to be wholly and essentially inapplicable to the case of a consummated infringement of a design patent." 18 Cong. Rec. 834. Because design patent laws are in relevant part "unlike other patent laws"—and thus unlike copyright—Congress specifically decided to provide "a new rule of recovery for design patents." *Id.*

Samsung also relies (Br. 41-42) on an isolated statement from the bill's sponsor. But Representative Martin admitted that he did "not pretend to be as familiar with the language employed about patents as, perhaps, I ought to be," and then acknowledged that the 1887 Act does indeed give the patentee the ability to recover "the total earnings of the business from th[e] source" of the infringement. 18 Cong. Rec. 835-836. The House Committee report—which is necessarily more probative of the provision's meaning—clearly states that "[t]he patentee recovers the profit actually made on the infringing article ... , that is, what the infringer realized from the infringing articles minus what they cost him." *Id.* at 834; *see also* Du Mont & Janis, *American Design Patent Law: A Legal History, Ch. 6—Design Patent Remedies* 39-41 (May 26, 2016) ("Whereas the House and Senate reports are definitive in their rejection of an apportionment requirement, the record of the House floor debate included isolated remarks that cloud the issue if taken out of context.").

2. Samsung's invocation of "background principles of causation and equity" (Br. 35-39) is likewise misplaced. The entire purpose of § 289 and its predecessor was to create a design patent infringement remedy that differed from the limited remedy previously articulated in this Court's *Dobson* cases because Congress determined that although design drives sales—a

main reason for affording patent protection for innovative designs in the first place—the value of design is very difficult to apportion. *See supra* pp. 17-18. This is not a case in which a departure "'from the long tradition of equity practice [was] lightly implied.'" *eBay Inc.* v. *MercExchange, L.L.C.*, 547 U.S. 388, 391 (2006). The statutory text is clear, the legislative purpose and history are unequivocal, and the judicial interpretation of the damages remedy has been unwavering. *Cf. CSX Transp., Inc.* v. *McBride*, 564 U.S. 685, 691-692 (2011) (recognizing congressional intent to depart from common law in light of statutory text and purpose). And Congress has repeatedly revised the patent laws with no suggestion that it wished to dial back design patent remedies to pre-1887 days.[9]

Samsung's reliance on the canon of constitutional avoidance (Br. 38-39) is similarly misguided. The Second Circuit long ago rejected a challenge to the constitutionality of § 289's predecessor. *Untermeyer*, 58 F. at 210-211, *aff'g Untermeyer* v. *Freund*, 50 F. 77, 78 (S.D.N.Y. 1892) ("The [A]ct of 1887 is constitutional."). And the nineteenth-century "scholars" Samsung invokes (Br. 39) are actually just one attorney, Frederic H. Betts, who represented the losing party in *Untermeyer* and whose views on the matter are at least open to serious question. 58 F. at 206; *Untermeyer*, 50 F. at 78; *see also* Du Mont & Janis, *American Design Patent Law* 44 ("The constitutional argument was strained, and Betts made little headway with it.").

Graham v. *John Deere Co. of Kansas City*, 383 U.S. 1, 3 (1966), is likewise inapposite—it speaks to constitu-

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[9] Although it was not required to do so, Apple presented evidence showing a causal relationship between smartphone design and sales. *E.g.*, JA104-105, 109, 400, 435, 439-440, 471, 473, 475.

tional limits on *patentability*, not limits on *remedies* for infringement of validly issued patents. Neither § 289 nor the courts' interpretation of it enlarged the patent monopoly. Rather, the statute merely provides that, when a design patent is held valid and infringed—as Apple's were—there is a sufficient connection to the sale of any "article of manufacture" to which the patented design was applied to justify an award of the infringer's total profit. 18 Cong. Rec. 834 ("[I]t is just that the entire profit on the article should be recoverable ... by the patentee, *for it is the design that sells the article*." (emphasis added)). Congress has recognized for well over a century that an article's design is inextricably linked to its value and success, *Gorham Co.* v. *White*, 81 U.S. (14 Wall.) 511, 525 (1872), and sought to ensure that design patent owners were appropriately compensated for infringement after the *Dobson* cases erected an undesirable barrier. Congress was well within its constitutional authority to so decree.

C. Determining The "Article Of Manufacture" On Which Total Profit Is Recoverable Is A Question Of Fact

Samsung argues that the infringing article of manufacture for which total profits may be awarded "*could be* something less than an entire product as sold." Br. 29 (emphasis added). Apple agrees. The statutory scheme does not create—and the courts below did not apply—any *per se* rule that infringement of a design patent that covers only a portion of a device *always* entitles the plaintiff to an award of total profit on the entire device. Rather, where the identity of the article of manufacture is genuinely disputed, the matter is a question of fact to be decided by the jury.

As the government acknowledges (Br. 17), "[t]he phrase 'article of manufacture' ... encompasses any item that is made by human labor, including manufactured items that are not sold as separate commodities but instead function as components of a larger product." *See also* Pet. Br. 30 ("An 'article of manufacture' is simply a particular thing made by human skill."). The broad definition given to "article of manufacture"—that it may include a complete final product or a component thereof—flows naturally from the definition given to "article of manufacture" and "manufacture" in other provisions of the Patent Act. *E.g.*, *American Fruit Growers, Inc.* v. *Brogdex Co.*, 283 U.S. 1, 11 (1931) (construing "manufacture" in 35 U.S.C. § 101 to mean "anything made for use from raw or prepared materials"); *In re Hruby*, 373 F.2d 997, 1000 (C.C.P.A. 1967).

The agreement among Samsung, the government, and Apple that "article of manufacture" encompasses anything made by human labor negates any attempts to limit § 289 to "decorative" articles. Pet. Br. 14, 40; Internet Ass'n Br. 17. The statute is nowhere limited to particular types of articles, and Congress is presumed to have been aware that design patents were issued on a variety of complex industrial products. *See supra* pp. 14-16.

Moreover, it was not unusual for complex items to be covered by multiple patents, including design and utility patents. Thomas Edison held both utility and design patents on light bulbs. *E.g.*, U.S. Patent Nos. 223,898 (1880), 239,149 (1881), 239,153 (1881), D12,631 (1881), D13,940 (1883). Some individuals held telephone design patents as well as utility patents directed to a telephone's technical features. *E.g.*, U.S. Patent Nos. 226,528 (1880), 243,274 (1881), 244,625 (1881), 248,821

(1881), 287,301 (1883) (telephone utility patents assigned to inventors of U.S. Design Patent No. D12,179 (1881) (*supra* p. 16)). And design patents often covered only a portion of a product. For instance, many design patents covered designs of coffin parts—several issued in 1884 alone—such that it was conceivable that a single casket could incorporate four different patented designs. *E.g.*, D15,033 (casket handle); D15,014 (casket knob); D15,043 (coffin screw); D14,641 (casket plate).

Congress would have been aware of design patent practice in 1887 and when it reaffirmed the total profit remedy in 1952. *Cf. Forest Grove Sch. Dist.* v. *T.A.*, 557 U.S. 230, 239-240 (2009). Congress thus chose this remedy for *any* article of manufacture, whether simple or complex, to which a patented design was applied.[10]

Of course, the fact that the relevant article of manufacture "could be" less than an entire product (Pet. Br. 29) does not mean that it *must* be. Rather, the government is right that, "[w]ith respect to some multi-component products, the finished product as sold in

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[10] The issuance of numerous patents on "complex devices" refutes amici's assertion that such devices did not qualify as "articles of manufacture" and were not "eligible for design patents" in the late nineteenth century. Internet Ass'n Br. 16. The Patent Office at one point rejected some designs for machines with "movable parts whose change in position changes the appearance of the device" because designs that "relate solely to shape or configuration [of] their subject-matter must be of a fixed and definite shape." *Ex parte Steck*, 98 O.G. 228, 230 (1901); *see also Ex parte Adams*, 84 O.G. 311, 311 (1898) ("If the parts are movable, the structure presents a great variety of forms instead of being limited to a single shape or configuration of an article of manufacture" as required by the statute in force). None of those decisions suggests that "complex devices" were ineligible for design patent protection—many were not only patent-eligible, but actually patented.

commerce is most naturally viewed as the article to which the patented design is 'applied.'" U.S. Br. 18.[11]

As the government correctly recognizes (Br. 29), "[t]he task of identifying the relevant article of manufacture is properly assigned to the finder of fact." Infringement of a design patent occurs when an "ordinary observer, giving such attention as a purchaser usually gives," determines that "two designs are substantially the same"—an inquiry that is undisputedly a question of fact. *Gorham*, 81 U.S. (14 Wall.) at 528; *Egyptian Goddess, Inc.* v. *Swisa, Inc.*, 543 F.3d 665, 680-683 (Fed. Cir. 2008) (en banc); *Amini Innovation Corp.* v. *Anthony Cal., Inc.*, 439 F.3d 1365, 1371-1372 (Fed. Cir. 2006). Similarly, the identification of the relevant article of manufacture for damages purposes is factual—just like every other damages issue. *E.g.*, *Pearson* v. *Duane*, 71 U.S. (4 Wall.) 605, 614 (1867) ("The damages are a matter which are in the nature of a finding by a jury."); *accord Story Parchment Co.* v. *Paterson Parchment Paper Co.*, 282 U.S. 555, 562 (1931).

The government is also correct (Br. 30) that if the defendant contends that something less than the infringing product is the "article of manufacture" for § 289 purposes, then "[t]he defendant should bear the burden of producing evidence that the relevant 'article

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[11] Amicus CCIA asserts that allowing "article of manufacture" to encompass an entire product is "inconsistent with Congress's usage of the term 'article of manufacture'" in the 1998 Vessel Hull Design Protection Act ("VHDPA"). CCIA Br. 4. Not so. That statute—enacted more than a century after the 1887 Act—provides protection for "useful article[s]" (*i.e.*, vessel hulls) that are incorporated into "product[s] of manufacture" (*i.e.*, boats). 17 U.S.C. §§ 1301(a)(1), 1309(d). The VHDPA does not define "article of manufacture" and uses that term only once, in a section describing design patent protection. *Id.* § 1329.

of manufacture' ... is a portion of an entire product as sold." Where the issue is disputed, the government identifies (Br. 27-29) from the case law various factors that a factfinder may use to determine the relevant "article of manufacture" for which "total profit" may be awarded. This Court need not decide the exact contours of the article of manufacture inquiry in this case because Samsung accepted that the articles of manufacture for purposes of calculating damages were the entire phones. Indeed, Samsung's expert calculated damages only based on the entire phones and testified accordingly. *See supra* pp. 2[illegible]21.[12]

The cases Samsung cites (Br. 32-34) are consistent with the understanding that identifying the article of manufacture is a question of fact evaluated on a case-by-case basis. In the *Piano Cases*, the Second Circuit recognized that the article of manufacture is "impossible to define in advance": "Probably each solution depends on the relation to the business whole of the part embodying the patent, and that relation must be considered from all viewpoints, technical, mechanical, popular, and commercial." *Bush & Lane Piano Co.* v.

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[12] Any suggestion that the article referenced in the patent is dispositive is misplaced. Design patents may only be issued on "any new, original and ornamental design for *an* article of manufacture," meaning that the patented design must be applied to or embodied by some tangible thing, which is identified in the patent (*e.g.*, a design for a street car). 35 U.S.C. § 171 (emphasis added); *see also* MPEP § 1503.01. Yet "[i]t is well settled that a design patent may be infringed by articles which are specifically different from that shown in the patent." *In re Rubinfield*, 270 F.2d 391, 393 (C.C.P.A. 1959). Correspondingly, § 289 states that a patentee may seek total profits when a patented design is applied to "*any* article of manufacture," meaning that the relevant article for § 289 purposes may be "any" infringing article, not just the article referenced in the patent.

Becker Bros., 234 F. 79, 81-82 (2d Cir. 1916) ("*Piano II*"). Although that court concluded that the piano case (which at the time was manufactured separately from the musical instrument) was the relevant article, it noted that there were other circumstances where "the design is inseparable from the article to which it is attached, *or of which it is a part.* A design for a spoon handle, for instance, cannot be separated from the completed spoon." *Bush & Lane Piano Co.* v. *Becker Bros.*, 222 F. 902, 904 (2d Cir. 1915) ("*Piano I*") (emphasis added). Accordingly, the Second Circuit considered "evidence" in the record to "confirm[]" its view that the piano case was the relevant article of manufacture, including that "[t]he cost of each separate element of the finished product is known," "there was just as large profit (proportionally) on the ornamented and infringing casing, which attracted the customer's eye, as upon the piano mechanism, which pleased the ear," *Piano II*, 234 F. at 81-82, and "[a] purchaser desiring a piano of a particular manufacturer may have the piano placed in any one of several cases dealt in by the maker," *Piano I*, 222 F. at 903.

Similarly, in *Young* v. *Grand Rapids Refrigerator Co.*, 268 F. 966, 974 (6th Cir. 1920), the design patent was on the "sheet metal shell or casing which surrounds the mechanism of [a refrigerator] latch, and was attached to the refrigerator as part of the latch structure." The *Young* court rejected the idea that the refrigerator was the relevant article of manufacture because, on the record before it, the patentee did not "seriously contend[] that all the profits from the refrigerator belonged to" him. *Id.* Nevertheless, the panel did consider the particular facts of the case in determining whether to "treat the latch and casing together as a unit," ultimately declining to do so because the "d[e]-

fendant did not sell them in th[e] form [of a unit], unless for occasional replacement." *Id.*

And in *Trans-World Manufacturing*, the plaintiff sought profits from "the sale of eyeglasses sold from the infringing display racks." 750 F.2d at 1566-1567. The court had no trouble concluding that the eyeglasses were not the articles of manufacture "to which the patented design ha[d] been applied" because the patented design was for the display case, not the eyeglasses, and the defendant did not even sell the display case. *Id.* at 1567.

The government (Br. 10) misunderstands the Federal Circuit to have ruled as a matter of law that the relevant article of manufacture must "always be the finished product as sold to end-users." The government cites no specific language in the Federal Circuit's opinion reflecting such a holding, and even seems uneasy with its own characterization, repeatedly hedging it as only an "apparent" conclusion. *Id.*; *see also id.* 16, 23. In fact, the Federal Circuit's opinion is fully consistent with the government's approach, specifically stating that the identification of the "article of manufacture" turned on the "factual situation" of the particular case and explaining that the "facts at hand are different" from the cases Samsung invoked. Pet. App. 29a.

D. Remand Is Neither Necessary Nor Appropriate

Apple agrees with the government that § 289 entitles Apple to Samsung's "total profit" on the infringing articles of manufacture, without apportionment; that identifying the articles of manufacture is a factual determination; and that Samsung bore the burden of producing evidence that the relevant articles of manufacture were anything other than the entire smartphones.

But the government is wrong in suggesting (Br. 32) that this Court should remand the case "to allow the lower courts to determine whether a new trial is warranted." That suggestion rests on the government's uncertainty "whether [Samsung] presented evidence at trial to support [its] assertion that the relevant articles of manufacture were components of the phones." *Id.* In fact, the record is crystal clear: Samsung proffered no evidence that the relevant articles of manufacture were anything other than Samsung's entire infringing smartphones, and it never disclosed such a theory in its expert's report or argued the point to the jury. Based on that record, and deliberating under correct instructions, the jury reached the only reasonable conclusion—that the articles of manufacture were the entire smartphones—and Samsung declined to appeal that verdict for lack of substantial evidence. No remand is warranted.

1. The government does doubt (Br. 32) whether Samsung "satisfied [its] burden of producing evidence to support" the argument it now makes that the relevant articles of manufacture are something less than the entire smartphones. In fact, Samsung never identified any smartphone component as the article of manufacture for the jury, nor did it present any calculation of profit on any smartphone component. Samsung now attempts (Br. 54-55) to define "the relevant article[s]" as "the round-cornered, glass front face of the smartphone" for the D'677 patent, "the round-cornered, glass front face of the smartphone plus its surrounding rim" for the D'087 patent, and "the display screen that sits beneath a smartphone's glass front face" for the

D'305 patent. But nowhere in the district court record did Samsung suggest such narrow definitions.[13]

Moreover, Samsung presented no witness to testify that the articles of manufacture were limited to any particular smartphone components, and it made no such argument to the jury. As Samsung concedes, "the record contains no proof of total profit from" the smartphone components that Samsung now claims are the relevant articles of manufacture. Pet. Br. 54 (capitalization altered). That is because Samsung presented damages evidence under § 289 based only on the entire smartphones. Its damages expert, Wagner, calculated total profits on each entire infringing smartphone—not on the glass front face, rim, display screen, or any other component—and he testified at trial as to total profits only on the infringing products.[14] Samsung also did not call any design expert to identify the relevant articles of manufacture for the jury or to contest design patent infringement. Nor did Samsung use any other witness to identify the relevant articles of manufacture as

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[13] Indeed, Samsung's conception of the article of manufacture has evolved as the case has progressed. Samsung's trial brief indicated that it believed the articles of manufacture for the D'677 and D'087 patents were the "cases" of the infringing devices. Dkt. 1300 at 19. Samsung's trial brief and proposed instructions did not even attempt to define the article of manufacture for the D'305 patent. Dkt. 1300 at 19-22; JA207; *see also* U.S. Br. 33 n.8.

[14] Wagner was not precluded from calculating Samsung's total profit on smartphone components, but he never disclosed any such theory in an expert report. The district court precluded only Wagner's "apportionment" theory, whereby he concluded that the value of the infringing design features was 1% of the entire smartphones based upon consumer surveys concerning the importance of design generally, as inconsistent with § 289. *See supra* pp. 20-21; U.S. Br. 32-33 n.7.

something less than the complete phone. In short, Samsung offered the jury no basis on which it could calculate total profit under § 289 on any "article of manufacture" other than the whole smartphone.

In contrast, Apple introduced significant evidence supporting the conclusion that the articles of manufacture were Samsung's infringing smartphones. Like Samsung's expert, Apple's damages experts calculated Samsung's "total profit" under § 289 based on the entire smartphone. *See supra* p. 21. Apple also presented evidence supporting that Samsung's smartphones (and not merely their glass front face, rim, and display screen) were the relevant "article[s] of manufacture" because Samsung's smartphones are sold as single, unitary articles to ordinary purchasers, and their infringing designs are closely intertwined with the phones' hardware and software to create the products' overall look and feel. *See supra* p. 21 n.6; Pet. App. 29a.

2. Given that record, the district court was correct to reject Samsung's proposed instruction that "'[t]he *article of manufacture* to which a design has been applied is the *part or portion of the product as sold* that incorporates or embodies the subject matter of the patent.'" JA207; *see* Pet. Br. 59. A district court need not give an instruction when—as here—the instruction is not supported by the evidence. 9C Wright & Miller, *Federal Practice & Procedure* § 2556 (3d ed. 2008). Samsung's proposed instruction would have required the jury, as a matter of law, to treat the infringing articles of manufacture as only a "part or portion of the product as sold that incorporates or embodies the subject matter of the patent." JA207; Pet. App. 29a. On this record, however, the jury could reasonably conclude only that the articles of manufacture were the entire phones. The lower

courts were correct to conclude that Samsung was not entitled to its proposed instruction.

Moreover, Samsung's proposed instruction was an erroneous statement of the law, because it also stated that "an award of profits for design patent infringement should not include profits earned from the technology by which the devices operate or from any other functions of the devices." JA207. That statement would have required the jury to apportion damages between design and functional elements, which (as discussed above, pp. 31-35) is inconsistent with § 289. *See Transportation Line* v. *Hope*, 95 U.S. 297, 301 (1877) ("If a request to charge contains one unsound proposition, it is not error to refuse to make the charge, although it contains many sound propositions.").

3. The government (Br. 31) and Samsung (Br. 58) quibble with the district court's instruction that the jury "may award Apple" Samsung's "total profit attributable to the infringing *products*." JA269 (Final Instruction No. 54) (emphasis added). But this language tracks an instruction *Samsung* proposed; the instruction itself, taken as a whole, is entirely correct; and in any event, even if there were any error in the instruction, it was necessarily harmless in light of the evidence, because no reasonable jury could conclude on this record that the articles of manufacture were anything *other* than the entire phones. *See Neder* v. *United States*, 527 U.S. 1, 19-20 (1999) (holding instructional error harmless).

Samsung itself proposed an instruction stating that: "[I]f you find infringement by Samsung ..., you may award Apple Samsung['s] ... total profit on sales of *products* alleged to infringe Apple's design patents." Dkt. 1232 at 210 (App. 3a) (Samsung's Proposed Instruction No. 54) (emphasis added). Samsung "can

hardly criticize the instruction the [d]istrict [c]ourt gave the jury, as it was essentially the instruction [Samsung] proposed." *Hana Fin., Inc.* v. *Hana Bank*, 135 S. Ct. 907, 912 (2015); *see also Federal Practice & Procedure* § 2558 ("[A] party who requests a jury instruction cannot complain if the instruction, or one substantially like it, is given by the trial judge."). At no point before the district court did Samsung object to its own proposed language as a misstatement of the law, and neither Samsung's briefs to the Federal Circuit nor its petition for certiorari asserted that sentence as instructional error. *See* Samsung C.A. Br. 38; Samsung C.A. Reply Br. 14-18; Pet. 26-32.[15] Accordingly, any objection to that language is waived and constitutes at most an "invited error" not warranting this Court's intervention. *See City of Springfield* v. *Kibbe*, 480 U.S. 257, 258-259 (1987) (per curiam) (refusing to address petitioner's challenge to jury instruction where "petitioner did not object to the jury instruction ... , and indeed proposed its own instruction to the same effect[,]" noting that "there would be considerable prudential objection to reversing a judgment because of instructions that petitioner accepted, and indeed itself requested").[16]

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[15] Because Samsung did not challenge this instruction in its petition, Apple's brief in opposition had no occasion to explain Samsung's waiver. This does not prevent this Court's consideration of the waiver because Apple does not assert it as an obstacle to "consideration of [the] question presented," S. Ct. R. 15.2, but rather as a reason to reject Samsung's and the government's position that this instruction somehow favors a remand.

[16] Although Samsung reworded its instruction in a later proposal to change the word "products" to "articles," JA203, it neither highlighted the change nor objected to the district court's inclusion of Samsung's original language in the final instruction as given.

In any event, and as Samsung's failure to object suggests, there was no error, especially when the particular sentence is read in the context of the jury instructions as a whole. *See Jones* v. *United States*, 527 U.S. 373, 391 (1999) (jury "instructions must be evaluated not in isolation but in the context of the entire charge"). Although this single sentence used the word "product," it simply recognized that the jury *may* find the whole phone to be the infringing article of manufacture; it did not require such a finding. To the contrary, the rest of the instruction, which also closely tracks language Samsung proposed, made clear that, if the jury found "infringement by any Samsung defendant, Apple is entitled to all profit earned by that defendant on sales of *articles* that infringe Apple's design patents." JA269 (emphasis added). The instruction defined "total profit" to "mean[] the entire profit on the sale of the *article* to which the patented design is applied, and not just the portion of profit attributable to the design or ornamental aspects covered by the patent." *Id.* (emphasis added); *compare* JA203 (Samsung's proposed instruction defining "total profit" as "the entire profit on *the sale of the article to which the patented design is applied*, or with which it is used and not just the portion of profit attributable to the design" (emphasis added)).[17] The instruction given also stated that profit is calculated by deducting certain expenses

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[17] Samsung's brief seeks to evade the district court's references to the "article" by selectively quoting and altering the given instruction's definition of "total profit"—namely, by substituting the words "the phone" for the given instruction's phrase "the sale of the article to which the patented design is applied." *Compare* JA269, *with* Pet. Br. 20-21 ("'total profit' … 'means the entire profit on' *the phone* and 'not just the portion of profit attributable to the design'" (emphasis added)).

from gross revenue, where "[g]ross revenue is all of the infringer's receipts from the sale of *articles* using any design found infringed." JA269 (emphasis added); *see also* JA204 (Samsung's proposed instruction containing same language).[18]

In short, the district court's instruction did not prejudge the "article of manufacture" for the jury, but permitted the jury to find something less than the entire phones to be the articles of manufacture.[19] The jury necessarily rejected that conclusion because Samsung presented no evidence to justify it. *See supra* p. 21.

Samsung could in theory have challenged the jury's verdict as unsupported by substantial evidence. But it did not do so, as the Federal Circuit recognized and Samsung does not deny. Pet. App. 29a ("Samsung does not argue a lack of substantial evidence to support the damages awards under the district court's jury instruction."). Such an argument would have failed in any

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[18] Because the district court's instruction already permitted the jury to determine that the relevant article of manufacture was the entire phone or something less than the entire phone, JA269, the court was justified in not separately instructing the jury that "[t]he article to which Apple's design was applied may be the same as or different from Samsung's devices as sold because devices offered for sale may incorporate a single article of manufacture or several articles of manufacture," JA207 (Samsung's Proposed Instruction No. 42.1); *see* U.S. Br. 32. As a result, Samsung has rightly never challenged the omission of this particular sentence as error.

[19] Indeed, the district court *rejected* Apple's request that the jury be told—as the one-sided record required—that "total profit" in this case must "include the entire profit on the sale of *products* with patented designs, and not just the portion of profit attributable to the design." JA200 (emphasis added).

event, as Samsung's damages expert never contended that the relevant "article[s] of manufacture" were anything other than the entire phones, and substantial evidence demonstrated the connection that ordinary observers made between the patented designs and entire smartphones. *See supra* pp. 20-21 & n.6. Accordingly, a further remand in this already lengthy litigation would be futile and wasteful.[20]

II. SECTION 289 REFLECTS SOUND PATENT POLICY, AND ANY REEXAMINATION IS FOR CONGRESS

A. Section 289 Provides A Much-Needed Remedy For The Special Harm Of Design Patent Infringement

The remainder of Samsung's arguments consists of efforts to encourage this Court to revise § 289 to implement Samsung's desired patent policies. But Congress has already weighed the policy considerations and enacted § 289 to fulfill an important objective: to ensure that design patent owners have an effective remedy for infringement, which Congress found the *Dobson* cases' apportionment requirement had eliminated. 18 Cong. Rec. 834-836; S. Rep. No. 49-206, at 1 (1886). While Samsung may believe that Congress struck the wrong

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[20] Samsung's assertion (Br. 56) that it is "entitled to judgment dismissing Apple's claims for infringer's profits" vastly overreaches. Even if the Court were to adopt Samsung's interpretation of the law, Apple would still be entitled to damages under § 289 for Samsung's extensive infringement of Apple's design patents. Moreover, Samsung's contention (Br. 57) that Apple had the burden "to prove the amount of profits attributable to the infringement of its design patents" is directly contradicted by Samsung's proposed instruction. JA204 ("Samsung has the burden of proving ... the portion of the profit attributable to factors other than use of the infringed design by a preponderance of the evidence.").

balance, "it is for Congress to determine if the present system of design and utility patents is ineffectual." *Bonito Boats, Inc.* v. *Thunder Craft Boats, Inc.*, 489 U.S. 141, 168 (1989); *accord Microsoft Corp.* v. *AT&T Corp.*, 550 U.S. 437, 458-459 (2007) ("If the patent law is to be adjusted ... , the alteration should be made after focused legislative consideration, and not by the Judiciary."); *see also* Lemley, *A Rational System of Design Patent Remedies*, 17 Stan. Tech. L. Rev. 219, 237 (2013) (noting that changing the total profit remedy "will require persuading Congress to act").[21]

Even were the Court to embark on a policy inquiry of its own, the lower courts' interpretation and application of § 289 are far superior to Samsung's. As Congress recognized, "[i]t is the design that sells the article, and so that makes it possible to realize any profit at all." 18 Cong. Rec. 834. In other words, design *necessarily* affects demand for the article of manufacture. *See Gorham*, 81 U.S. (14 Wall.) at 525 ("It is the appearance itself [of a product] which attracts attention and calls out favor or dislike. It is the appearance itself, therefore, no matter by what agency caused, that constitutes mainly ... the contribution to the public which the law deems worthy of recompense.").

Congress relatedly concluded that it is exceedingly difficult to apportion the harm caused by blatant copying of a patented design. It was "abundantly shown" to both the Senate and the House that "even if [a showing

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[21] The Federal Circuit applied the very deference to Congress that this Court has always directed. Contrary to Samsung's implication (Br. 22), the Federal Circuit did not find that the statute's plain text "'makes no sense in the modern world.'" Far from it: The court properly declined to consider "policy arguments that should be directed to Congress." Pet. App. 28a n.1.

of apportionment] were necessary, ... the proof thus called for can never be furnished." 18 Cong. Rec. 834; *see also* S. Rep. No. 49-206, at 1-2. Accordingly, the "theory of the law" is that "where an infringer ... appropriates the design and so mixes up the patentee's profits with his own ... the loss must fall upon the guilty and not upon the innocent party." *Untermeyer*, 50 F. at 80.

These concerns retain force today, as amici have demonstrated. *E.g.*, Nike Br. 29-30; IDSA Br. 7. Accepting Samsung's invitation to rewrite the statute to impose an apportionment requirement would have negative consequences on a scale unimaginable in the nineteenth century, as it would remove a powerful deterrent to would-be infringers that can rapidly mass-produce counterfeit or knock-off products. Nike Br. 8-10, 12; IDSA Br. 2, 11-15; Kappos, *America Doesn't Do Enough to Protect Its Innovative Designs*, WIRED Magazine, Nov. 9, 2015.

Uncertainty about the availability of the total profits remedy would also severely undercut design patent protection, making it less likely that companies would invest in creating innovative designs, and thus undermining the significant contributions industrial design makes to the U.S. economy. Nike Br. 9-10, 29, 37; IDSA Br. 1-7, 17-19. Forty thousand industrial designers currently work in the United States. IDSA Br. 17. And in 2012 alone, U.S. companies paid independent design firms more than $1.5 billion for product design and similar services. U.S. Census Bureau, *2012 Economic Census Professional, Scientific, and Technical Services Subject Series: Industrial Design Services* (rel. Mar. 29, 2016).

The record in this case demonstrates why the availability of a total profit remedy for design patent infringement is so important. Apple spent billions of dollars and several years developing the iPhone, and its patented design was critical to its success. *See supra* pp. 4-5. Samsung recognized the iPhone's beauty, concluding that it had a strong potential for "success" because of, among other things, its "[s]creen-centric design," which "set the standard" for consumer preference and contributed to a "revolution" in the smartphone industry. JA404, 406; *see also supra* p. 9. The evidence showed how assiduously Samsung copied Apple's iPhone in response to its "crisis of design" and instantly increased its market share. JA 422; *see also supra* pp. 9-11. Samsung's internal documents reflected pressure to "make something like the iPhone," JA417, and contained so-called "[d]irections for [i]mprovement" to copy Apple's graphical user interface, JA426-428; *see also supra* pp. 9-11. The copying extended to the smallest details, such as mimicking the color and shape of the iPhone's telephone icon (a green square depicting a white telephone handset). JA352-353. As Apple's expert testified, Samsung could easily have chosen other images to represent a telephone—such as "a pad of numbers," the "shape of a generic phone," or even the same handset tilted at a different angle—and, indeed, another phone on the market used just such a design. JA238-240 (discussing the Pantech Hotshot); *cf.* Dkt. 3198 at 194 (Wagner Report) (displaying alternate designs for telephone icon). Samsung's choice to use the designs that Apple developed, in order to benefit from Apple's creativity, is precisely the kind of wrongful misappropriation that § 289 is intended to deter and, when deterrence fails, to remedy.

B. Samsung's Hypothetical Parade Of Horribles Does Not Justify Rewriting § 289

Samsung argues (Br. 44-51) that the "Federal Circuit's entire-profits rule" will lead to disproportionate awards, create risks of multiple recoveries, and harm competition and innovation. Those predictions are based on a mistaken and exaggerated view of the Federal Circuit's holding. The Federal Circuit broke no new ground in this case; it simply applied the well-established interpretation of the total profit remedy codified in § 289, which "explicitly authorizes the award of total profit from the [infringing] article of manufacture bearing the patented design." Pet. App. 28a; *see supra* pp. 28-31. If that rule were truly the policy disaster Samsung claims, one would surely have seen evidence of the disastrous outcomes Samsung now foretells. That they have not been a problem in the almost 130 years since Congress enacted the total profit remedy confirms that Samsung's fears are unfounded.

1. Samsung contends (Br. 45) that the Federal Circuit's ruling will "lead to disproportionate awards in any patent case that involves ... a design patent claiming only a small component of a product's overall design." Samsung hypothesizes (Br. 1), for example, that a patentee could recover total profits for a car based on an infringing cupholder. But to prove infringement in such a case, the patentee would ask the jury to compare its cupholder design with the accused cupholder, not with the car in which the cupholder appears. A fact-finder properly applying *Gorham*'s "ordinary observer" test would never confuse a cupholder design with a car or think that a cupholder gave a car its "peculiar or distinctive appearance." *Gorham*, 81 U.S. (14 Wall.) at 525; *cf. In re Schnell*, 46 F.2d 203, 208, 209 (C.C.P.A. 1931) (predecessor to Federal Circuit explaining that a

suit could be brought against an infringer who "applied the same or similar design to the *same or similar* article ... so as to mislead the public" (emphasis added)). In that circumstance, a jury would be exceptionally unlikely to conclude that the article of manufacture for which total profit should be awarded was the entire car.[22]

Needless to say, this case is not remotely comparable to Samsung's cupholder hypothetical. Apple's design patents do not cover a minor component of the iPhone; they cover the overall appearance of the device's distinctive front face, bezel, and graphical user interface—in other words, the iconic look and feel of Apple's iPhone. *See supra* pp. 5-7. If Samsung thought these features could be treated as separate "articles of manufacture," it should have proffered evidence to that effect, argued the point to the jury, and appealed the jury's contrary finding for lack of substantial evidence. It did none of these.

Samsung points (Br. 45) to recent decisions in *Nordock, Inc.* v. *Systems Inc.*, 803 F.3d 1344, 1354-1355 (Fed. Cir. 2015), *petition for cert. filed*, No. 15-978 (U.S. Jan. 28, 2016), and *Pacific Coast Marine Windshields Ltd.* v. *Malibu Boats, LLC*, 2014 WL 4185297, at *11 (M.D. Fla. Aug. 22, 2014), but they do not help its cause. In *Nordock*, the Federal Circuit correctly addressed the identity of the "article of manufacture" based on the evidence of record: it ruled that the defendant failed to present sufficient evidence that the article of manufacture was the lip and hinge of a dock leveler, as opposed to the entire dock leveler. 803 F.3d at 1355 (finding

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[22] This also dispenses with amici's far-flung hypotheticals regarding graphical user interfaces in cars (Internet Ass'n Br. 9) or single icons in software (Professors Br. 5).

that "the evidence and testimony at trial demonstrated that the levelers are welded together" and "there was no evidence that [the defendant] sold a 'lip and hinge plate' separate from the leveler as a complete unit"). And the unpublished district court opinion in *Pacific Coast Marine* rejected the defendant's attempt on a motion for summary judgment to limit the "article of manufacture" *as a matter of law*. 2014 WL 4185297, at *10-11.[23]

Samsung may wish this Court to believe that § 289 led to a verdict that is disproportionate to Samsung's wrongdoing, but the verdict reflects a policy choice Congress made for precisely these situations. Congress could have chosen any number of different statutory schemes—as other countries have—to serve the deterrent purpose, but it specifically chose the total profit remedy. IDSA Br. 12-13 ("European design law provides deterrents against infringement by laws that provide upon a finding of infringement: (a) injunctions as a matter of right, (b) award of attorneys' fees to the design right holder as a matter of right, (c) seizure or destruction of the infringing products, and (d) customs enforcement of designs." (footnotes omitted)).

2. Samsung claims (Br. 47) that the Federal Circuit's ruling would "permit *multiple* recoveries of a manufacturer's profits on the same product," but that is

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[23] Samsung argues (Br. 45) that "the practice of partial claiming ensures that there will be many more requests for such disproportionate awards." Tellingly, again, Samsung cites no examples of this occurring in the past 130 years. Partial claiming long predates the Act of 1887, *see, e.g.*, *supra* p. 37 (coffin parts), and Congress enacted the statute against this backdrop. Samsung's argument also overlooks that, if the facts support it, an alleged infringer may argue that the article of manufacture is less than the entire multi-component product.

abstract speculation: Samsung fails to identify *any* case where this supposed problem has arisen.

Even if two unrelated companies were to own design patents on the same product, it is highly unlikely that the infringer would be required to pay out its total profits for that product more than once. Once an infringer yields its total profits on a product, it no longer has any profit to pay. The infringer could also argue, if the facts supported it, that each design was applied to a different article of manufacture that was smaller than the larger product. *See supra* pp. 35-39. And in the unlikely event that two or more patentees were awarded total profits on the same article, the infringer could invoke established mechanisms to avoid having to disgorge its total profit more than once, such as interpleader, *see* Fed. R. Civ. P. 22; 28 U.S.C. § 1335; *Texas* v. *Florida*, 306 U.S. 398, 406 (1939); 4 Symons, *Pomeroy's Equity Jurisprudence* § 1320 (5th ed. 1941), impleader, *see* Fed. R. Civ. P. 14; Lemley, 17 Stan. Tech. L. Rev. at 231, and traditional equity doctrines such as equitable assignment of a fund, *see* 4 *Pomeroy's Equity Jurisprudence* § 1280; *accord Leonard* v. *Marshall*, 82 F. 396, 398-399 (C.C.W.D. Mo. 1897); *Chase Nat'l Bank of N.Y.* v. *Sayles*, 11 F.2d 948, 956 (1st Cir. 1926), and exoneration, *see* 4 *Pomeroy's Equity Jurisprudence* § 1417; *Hall* v. *Smith*, 46 U.S. (5 How.) 96, 102-103 (1847); *Hazelton* v. *Valentine*, 113 Mass. 472, 481 (1873).[24]

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[24] Were a dispute to arise over the allocation of the infringer's total profits, a court could also invoke the doctrine of "equitable division"—where the owner of a piece of property is unclear, all the claimants receive an equal share. *E.g.*, *Popov* v. *Hayashi*, 2002 WL 31833731, at *7-9 (Cal. Super. Ct. Dec. 18, 2002) (applying equitable division to determine ownership over Barry Bonds's record-setting homerun baseball); *Keron* v. *Cashman*, 33 A. 1055 (N.J. Ch. 1896) (ownership over sock stuffed with $775); *see gener-*

3. Samsung threatens (Br. 47-51) that the Federal Circuit's decision will "impede both competition and innovation." Once again, Samsung ignores that none of its horribles has come to pass in the nearly 130 years since Congress enacted the total profit remedy. On the contrary, "the economic engine of industrial design developed under the existing framework of ... Section 289 and its predecessor statute." IDSA Br. 7. As this Court has recognized, "[t]he law manifestly contemplates that giving certain new and original appearances to a manufactured article may enhance its salable value, may enlarge the demand for it, and may be a meritorious service to the public." *Gorham*, 81 U.S. (14 Wall.) at 525.

Samsung's argument (Br. 48) that the "entire-profits rule" will "make design patents the new weapon of choice in efforts to quash new market entrants" relies on its flawed assumptions that the remedy is new and that it authorizes disproportionate awards. But the remedy is over a century old and limited to the "article of manufacture," a factual question that, when actually disputed, provides a meaningful limitation on the total profit award. *See supra* pp. 35-39. Samsung and its amici assert that the "risks ... are ... most grave for small businesses," Pet. Br. 49; *see also* Public Knowledge Br. 11; Engine Advocacy Br. 19-21, but design patent protections are in fact "particularly crucial" to help "small and startup companies," BSA Br. 9, by allowing them to "develop[] new and innovative products" without the "looming threat of copyists," IDSA Br. 22. Indeed, in this case, it was *Apple* that was the "new market entrant[]" that took a

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ally Helmholz, *Equitable Division and the Law of Finders*, 52 Fordham L. Rev. 313 (1983) (discussing rule's origin).

preexisting market by storm, only to face unfair competition by the incumbent Samsung, which chose to regain market share not through innovation, but deliberate and outright mimicry.

Nor is there any significant risk of innocent infringement of a design patent. Because patented designs protect "aesthetically pleasing appearance[s] that [are] not dictated by function alone," *Bonito Boats*, 489 U.S. at 148, a competitor always has options to avoid design patent infringement that do not affect the product's utility. Therefore, "[w]hen a competing product bears an infringing ornamental design, it is likely the result of deliberate copying or willful infringement." Nike Br. 22. Samsung had many ways to make a smartphone without infringing Apple's design patents, *e.g.*, JA395, 476, but instead made the deliberate choice to copy. And other protections exist to prevent innocent infringement—for example, the marking and notice requirement, *see supra* p. 30 n.7, and the fact that the "elements required to establish and maintain design protection are ... stricter than those for other comparable intellectual property rights," Nike Br. 24. It is therefore unsurprising that neither Samsung nor its amici identify a single example of innocent design patent infringement.[25]

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[25] Samsung cites (Br. 48-49) *Microsoft Corp.* v. *Corel Corp.*, as an example of a company supposedly using design patents to "quash new market entrants." But that example is flawed. The case is a suit by Microsoft alleging that Corel engaged in wholesale copying of a variety of Microsoft's patented features and designs in Corel's competing software. *See generally* Compl., Dkt. 1, *Microsoft Corp.* v. *Corel Corp.*, No. 15-cv-5836 (N.D. Cal. Dec. 18, 2015).

Samsung contends (Br. 50) that the Federal Circuit's decision will lead to "'an explosion of design patent assertions and lawsuits,'" including by non-practicing entities. Again, Samsung and its amici fail to explain why the Federal Circuit's application of a rule that has existed for over a century would cause such a surge now. Unlike in the utility patent world, where non-practicing patent assertion entities are numerous, Samsung has not named one entity with a valid design patent that has reaped undeserved rewards by leveraging § 289.[26]

The lack of concrete examples of design patent non-practicing entities is unsurprising. Non-practicing entities may succeed in acquiring *utility* patents that anticipate or incorporate valuable technological features, but it is much harder to anticipate or acquire product *designs* before they are released—particularly because design innovators give their products a unique look to differentiate their brand. Even if a non-practicing entity anticipated which design patents might prove lucrative, it would be highly unusual for a design innovator to sell, assign, or license design rights to a non-practicing entity. While a company might monetize unused *technology* through sale or license of utility pa-

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[26] The Internet Association amicus brief does not indicate that any of its signatories has been held liable for design patent infringement, let alone by a non-practicing entity. Even the cursory blog post Samsung cites (Br. 51 n.31) only discusses a questionable demand letter premised on a "'*pending*'"—*i.e.*, as yet unissued—"'design patent portfolio.'" Macri, *Patent Trolls Are Already Abusing the* Apple v. Samsung *Ruling*, InsideSources (Oct. 1, 2015) (noting that the portfolio "list[s] a series of functionalities patented under a *utility* patent ... that doesn't belong" to the author of the demand letter (emphasis added)). Samsung's amici can do no better—they rely on the same underlying letter. Internet Ass'n Br. 26; CCIA Br. 15; Engine Advocacy Br. 24-25.

tents, it will typically keep its *design* rights to avoid giving away control of its brand.[27]

Finally, Samsung's fear-mongering about design patent non-practicing entities, innocent infringement, and the alleged harmful effects of § 289 on small business ignores the realities of this case. Samsung, a Global 500 company with worldwide reach, deliberately chose to copy the innovations of its fiercest competitor, profited enormously from that infringement, refused to stop copying even after informed of Apple's patent rights, and was conclusively found liable by every decisionmaker to review this case. That is exactly the situation Congress had in mind when it enacted § 289. This Court should not rewrite the statute to save Samsung from the consequences of its own misconduct.

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[27] Samsung's alarm that the number of Federal Circuit decisions in design patent cases "tripled since last year" (Br. 51) hides the truth: its source reports only *six* decisions this year compared to *two* last year. Dutra, *Design Patents Up, But Samsung Case Ruling Could Bring Down*, Bloomberg BNA (Apr. 20, 2016).

CONCLUSION

The judgment should be affirmed.

Respectfully submitted.

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APPENDIX

35 U.S.C. § 171—Patents for designs

(a) In general.—Whoever invents any new, original and ornamental design for an article of manufacture may obtain a patent therefor, subject to the conditions and requirements of this title.

(b) Applicability of this title.—The provisions of this title relating to patents for inventions shall apply to patents for designs, except as otherwise provided.

(c) Filing date.—The filing date of an application for patent for design shall be the date on which the specification as prescribed by section 112 and any required drawings are filed.

35 U.S.C. § 289—Additional remedy for infringement of design patent

Whoever during the term of a patent for a design, without license of the owner, (1) applies the patented design, or any colorable imitation thereof, to any article of manufacture for the purpose of sale, or (2) sells or exposes for sale any article of manufacture to which such design or colorable imitation has been applied shall be liable to the owner to the extent of his total profit, but not less than $250, recoverable in any United States district court having jurisdiction of the parties.

Nothing in this section shall prevent, lessen, or impeach any other remedy which an owner of an infringed patent has under the provisions of this title, but he shall not twice recover the profit made from the infringement.

Act of Feb. 4, 1887, ch. 105, 24 Stat. 387—An act to amend the law relating to patents, trade-marks, and copyright.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That hereafter, during the term of letters patent for a design, it shall be unlawful for any person other than the owner of said letters patent, without the license of such owner, to apply the design secured by such letters patent, or any colorable imitation thereof, to any article of manufacture for the purpose of sale, or to sell or expose for sale any article of manufacture to which such design or colorable imitation shall, without the license of the owner, have been applied, knowing that the same has been so applied. Any person violating the provisions, or either of them, of this section, shall be liable in the amount of two hundred and fifty dollars; and in case the total profit made by him from the manufacture or sale, as aforesaid, of the article or articles to which the design, or colorable imitation thereof, has been applied, exceeds the sum of two hundred and fifty dollars, he shall be further liable for the excess of such profit over and above the sum of two hundred and fifty dollars; and the full amount of such liability may be recovered by the owner of the letters patent, to his own use, in any circuit court of the United States having jurisdiction of the parties, either by action at law or upon a bill in equity for an injunction to restrain such infringement.

SEC. 2. That nothing in this act contained shall prevent, lessen, impeach, or avoid any remedy at law or in equity which any owner of letters patent for a design, aggrieved by the infringement of the same, might have had if this act had not been passed; but such owner shall not twice recover the profit made from the infringement.

(DISPUTED) JOINT PROPOSED JURY INSTRUCTIONS, Dkt. 1232 (excerpts)

PROPOSED FINAL JURY INSTRUCTION NO. 54 DESIGN PATENT INFRINGEMENT DAMAGES—DEFENDANT'S PROFITS

* * *

Samsung's Proposed Instruction[10]

In this case, Apple alternatively seeks Samsung Electronics Company's, Samsung Electronics America's, and Samsung Telecommunications America's profit from sales of products alleged to infringe Apple's design patents. Accordingly, if you find infringement by Samsung Electronics Company, Samsung Electronics America and/or Samsung Telecommunications America, do not find Apple's design patents are invalid, and do not award Apple lost profits and/or a reasonable royalty, you may award Apple Samsung Electronics Company's, Samsung Electronics America's and/or Samsung Telecommunications America's total profit on sales of products alleged to infringe Apple's design patents.

The "total profit" of Samsung Electronics Company, Samsung Electronics America and/or Samsung Telecommunications America means the entire profit on the sale of the article to which the patented design is applied, or with which it is used and not just the portion of profit attributable to the design or ornamental aspects of the patent. "Total profit" does not include profit at-

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[10] Samsung objects to Apple's attempt to obtain both lost profits and infringer's profits as unsupported by any legal authority. Samsung offers this instruction solely in the event that the Court disagrees. Samsung also offers this instruction subject to its objection that any disgorgement of profits should be subject to apportionment.

tributable to other products that may be sold in association with an infringing article embodying the patented design. A design patent owner can recover the profit not only of the manufacturer or producer of an infringing article, but also of other sellers in the chain of distribution, if any such profits are proven by Apple by a preponderance of the evidence.

If you find infringement by any Samsung defendant, and do not award Apple lost profits and/or a reasonable royalty, you may award Apple all profit earned by that defendant on sales of products alleged to infringe Apple's design patents, and that is attributable to whatever infringement you have found by that particular defendant. Profit is determined by deducting certain expenses from gross revenue. Gross revenue is all of the infringer's receipts from the sale of products using any design found infringed. Apple has the burden of proving the infringing defendant's gross revenue by a preponderance of the evidence.

Expenses can include costs incurred in producing the gross revenue, such as the cost of the goods. Other costs may be included as deductible expenses if they are attributable to the sales of the infringing products resulting in a nexus between the infringing products and the expense. Samsung has the burden of proving the deductible expenses and the portion of the profit attributable to factors other than use of the infringed design by a preponderance of the evidence.

Unless you find that a portion of the profit from the sale of the infringing product is attributable to factors other than use of the infringed design, you shall find that the total profit is attributable to the infringement.

SAMSUNG'S PROPOSED DISPUTED JURY INSTRUCTIONS AT THE CLOSE OF EVIDENCE, IN ORDER, Dkt. 1238 (excerpts)

INSTRUCTION NO. 54—ADDITIONAL REMEDY FOR DESIGN PATENT INFRINGEMENT—DEFENDANT'S PROFIT[5]

In this case, Apple alternatively seeks Samsung Electronics Company's, Samsung Electronics America's, and Samsung Telecommunications America's profit from sales of products alleged to infringe Apple's design patents. Accordingly, if you find infringement by Samsung Electronics Company, Samsung Electronics America and/or Samsung Telecommunications America, do not find Apple's design patents are invalid, and do not award Apple lost profits and/or a reasonable royalty, you may award Apple Samsung Electronics Company's, Samsung Electronics America's and/or Samsung Telecommunications America's total profit on sales of products alleged to infringe Apple's design patents.

The "total profit" of Samsung Electronics Company, Samsung Electronics America and/or Samsung Telecommunications America means the entire profit on the sale of the article to which the patented design is applied, or with which it is used and not just the portion of profit attributable to the design or ornamental aspects of the patent. "Total profit" does not include profit attributable to other products that may be sold in association with an infringing article embodying the patented

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[5] Samsung objects to Apple's attempt to obtain both lost profits and infringer's profits as unsupported by any legal authority. Samsung offers this instruction solely in the event that the Court disagrees. Samsung also offers this instruction subject to its objection that any disgorgement of profits should be subject to apportionment.

design. A design patent owner can recover the profit not only of the manufacturer or producer of an infringing article, but also of other sellers in the chain of distribution, if any such profits are proven by Apple by a preponderance of the evidence.

If you find infringement by any Samsung defendant, and do not award Apple lost profits and/or a reasonable royalty, you may award Apple all profit earned by that defendant on sales of products alleged to infringe Apple's design patents, and that is attributable to whatever infringement you have found by that particular defendant. Profit is determined by deducting certain expenses from gross revenue. Gross revenue is all of the infringer's receipts from the sale of products using any design found infringed. Apple has the burden of proving the infringing defendant's gross revenue by a preponderance of the evidence.

Expenses can include costs incurred in producing the gross revenue, such as the cost of the goods. Other costs may be included as deductible expenses if they are attributable to the sales of the infringing products resulting in a nexus between the infringing products and the expense. Samsung has the burden of proving the deductible expenses and the portion of the profit attributable to factors other than use of the infringed design by a preponderance of the evidence.

Unless you find that a portion of the profit from the sale of the infringing product is attributable to factors other than use of the infringed design, you shall find that the total profit is attributable to the infringement.

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Supreme Court of the United States

SAMSUNG ELECTRONICS CO., LTD., SAMSUNG ELECTRONICS AMERICA, INC., AND SAMSUNG TELECOMMUNICATIONS AMERICA, LLC,
Petitioners,

v.

APPLE INC.,
Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

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TABLE OF CONTENTS

	Page
TABLE OF AUTHORITIES	iii
INTRODUCTION	1
ARGUMENT	2
I. SECTION 289 PRECLUDES RECOVERY OF THE TOTAL PROFIT ON AN ENTIRE PRODUCT WHERE A PATENTED DESIGN IS APPLIED ONLY TO A COMPONENT OF THE PRODUCT	2
A. An "Article Of Manufacture" Under Section 289 May Be Less Than An Entire Product, As Apple And The Government Now Agree	2
B. Congress Did Not Abrogate Background Principles Of Causation In Enacting Section 289	4
C. Apple And Its *Amici* Fail To Dispel The Adverse Practical Consequences Of The Federal Circuit's Rule	7
II. CONTRARY TO APPLE'S ARGUMENT, THIS COURT SHOULD REVERSE OR VACATE THE JUDGMENT BELOW	11
A. Apple Cannot Rewrite The Decisions Below	11
1. The District Court's Jury Instructions Misconstrued Section 289	11
2. The Federal Circuit Misconstrued Section 289	13

TABLE OF CONTENTS—Continued

Page

B. This Court Should Reverse And Direct Judgment For Samsung 15

1. The Patent Claims Themselves Delimit The Relevant Articles Of Manufacture 15

2. Apple Bore The Burden Of Identifying The Relevant Articles Of Manufacture 16

3. No Properly Instructed Jury Could Have Found For Apple On This Record 18

C. Alternatively, This Court Should Vacate And Remand For Further Proceedings 20

CONCLUSION 23

APPENDIX

APPENDIX A: Plaintiff's Exhibit 8, Photographs of Apple Products (excerpts) 1a

APPENDIX B: Defendants' Exhibit 2519, Presentation: Mini-Teardown Samsung Galaxy S (T-Mobile Vibrant) (excerpts) 4a

TABLE OF AUTHORITIES

CASES — Page(s)

Alaska Dep't of Envtl. Conservation v. EPA, 540 U.S. 461 (2004) 17

Apple Inc. v. Samsung Elecs. Co., 678 F.3d 1314 (Fed. Cir. 2012) 9

Aro Mfg. Co. v. Convertible Top Replacement Co., 377 U.S. 476 (1964) 8

Boyle v. United Techs. Corp., 487 U.S. 500 (1988) 19

Burrage v. United States, 134 S. Ct. 881 (2014) 5

Contessa Food Prods., Inc. v. Conagra, Inc., 282 F.3d 1370 (Fed. Cir. 2002) 10

CSX Transp., Inc. v. McBride, 564 U.S. 685 (2011) 5

Dowagiac Mfg. Co. v. Minn. Moline Plow Co., 235 U.S. 641 (1915) 5

eBay, Inc. v. MercExchange, LLC, 547 U.S. 388 (2006) 5

Gorham v. White, 81 U.S. 511 (1871) 9

Hertz Corp. v. Friend, 559 U.S. 77 (2010) 22

Hunter v. Cty. of Sacramento, 652 F.3d 1225 (9th Cir. 2011) 13

Lucent Techs., Inc. v. Gateway, Inc., 580 F.3d 1301 (Fed. Cir. 2009) 16

TABLE OF AUTHORITIES—Continued

Page(s)

Markman v. Westview Instruments, Inc.,
517 U.S. 370 (1996) 16

Medtronic, Inc. v. Mirowski Family Ventures, LLC,
134 S. Ct. 843 (2014) 17

Meyer v. Holley,
537 U.S. 280 (2003) 5

Nordock, Inc. v. Systems Inc.,
803 F.3d 1344 (Fed. Cir. 2015) 14

Pac. Coast Marine Windshields Ltd. v. Malibu Boats, LLC,
2014 WL 4185297
(M.D. Fla. Aug. 22, 2014) 14

Pearson v. Duane,
71 U.S. 605 (1867) 17

Schaffer v. Weast,
546 U.S. 49 (2005) 16

Sheldon v. Metro-Goldwyn Pictures Corp.,
309 U.S. 390 (1940) 5

Story Parchment Co. v. Paterson Parchment Paper Co.,
282 U.S. 555 (1931) 17

Teva Pharms. USA, Inc. v. Sandoz, Inc.,
135 S. Ct. 831 (2015) 16

Transp. Line v. Hope,
95 U.S. 297 (1877) 13

Uniloc USA, Inc. v. Microsoft Corp.,
632 F.3d 1292 (Fed. Cir. 2011) 16

TABLE OF AUTHORITIES—Continued

Page(s)

United States v. Texas,
507 U.S. 529 (1993) 5

Univ. of Texas Sw. Med. Ctr. v. Nassar,
133 S. Ct. 2517 (2013) 16

STATUTES

15 U.S.C. 1117(a) 17

17 U.S.C. 504(b) 17

35 U.S.C. 284 ..... 11, 12, 18

35 U.S.C. 287 8

35 U.S.C. 289 ..... 1, 2, 4, 5, 6, 9, 10, 11, 12, 13, 15, 17, 20

45 U.S.C. 51 5

LEGISLATIVE MATERIALS

18 CONG. REC. 834 (1887) 6

H.R. REP No. 49-1996 (1886) 6, 17

S. REP. No. 49-206 (1886) 18

OTHER AUTHORITIES

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INTRODUCTION

In its brief, Apple makes a remarkable about-face. It now admits, agreeing with Samsung and the government, that Section 289 does not require an award of the total profit on an entire product as sold. It now admits, agreeing with Samsung and the government, that the "article of manufacture" to which a patented design is "applied" may be only a component of a product. And it now admits, agreeing with Samsung and the government, that, where the patented design is applied only to a component of a product, the total profit under Section 289 is the profit attributable to the component, not the product. Those admissions are correct and compel reversal on the record here.

Apple nonetheless urges affirmance, suggesting that the district court and the Federal Circuit did not actually apply an entire-product rule after all. But the record will not bear such an attempt to rewrite the rulings below. Apple argued before, during, and after trial that Section 289 precludes any award less than the total profit on an entire product as sold. The district court agreed, instructing the jury that Section 289 precludes any award less than the total profit on an entire product as sold. And the Federal Circuit affirmed, holding that Section 289 precludes any award less than the total profit on an entire product as sold.

Apple also suggests that it was *Samsung's* burden to show that Apple's patented designs applied only to components of the accused phones, and that Samsung failed to do so. But it was *Apple*, not Samsung, that bore the burden of proving infringer's profits. And it was thus *Apple's* burden to show that the patented designs were applied to the entire phones, not

Samsung's burden to show that they were not. Because Apple put all its chips at trial on entitlement to Samsung's total profit on the entire phones *as a matter of law*, it failed to make any such factual showing. Nor could it have done so, for the unambiguous evidence in the record, including the admissions of Apple's own witnesses, shows that Apple's design patents here cover only narrow components of a phone—namely the front face, the front face with bezel, and a single array of icons.

This Court therefore should reverse, and make clear that Section 289 has the meaning on which Apple, Samsung and the government now agree. If the Court declines to reverse, it should nonetheless vacate and remand for the parties to litigate the appropriate amount of infringer's profits under the correct interpretation of Section 289.

ARGUMENT

I. SECTION 289 PRECLUDES RECOVERY OF THE TOTAL PROFIT ON AN ENTIRE PRODUCT WHERE A PATENTED DESIGN IS APPLIED ONLY TO A COMPONENT OF THE PRODUCT

A. An "Article Of Manufacture" Under Section 289 May Be Less Than An Entire Product, As Apple And The Government Now Agree

The parties and the government have reached consensus before this Court that Section 289 permits an award of infringer's profits from a component of a product rather than the entire product. As the government rightly explains, "[t]he phrase 'article of manufacture' ... encompasses any item that is made

by human labor, including manufactured items that are not sold as separate commodities but instead function as components of a larger product." U.S. Br. 17; *see* Resp. Br. 36; Pet'r Br. 29-31. As the parties and the government likewise agree, the Patent Office and the lower courts (*e.g.*, in the *Piano Cases*) have "construed the term 'article of manufacture[]' ... to include components of larger products." U.S. Br. 19; *see* Resp. Br. 37, 40-41; Pet'r Br. 32-34. And all agree that, in 1952, Congress enacted Section 289 against that backdrop. *See* U.S. Br. 19; Resp. Br. 30, 37; Pet'r Br. 44.[1]

The parties and the government also now agree that, where the relevant article of manufacture is a component of a product, it follows that total profit is limited to that attributable to the component, not the entire product. For instance, Apple concurs with the government and Samsung that "[t]he source of the 'total profit' for which the infringer 'shall be liable'" is the "sale of the 'article of manufacture to which the design has been applied.'" Resp. Br. 29 (quoting U.S. Br. 11); *see* Pet'r Br. 24. And as the government explains, no separate sale of the *component* is required, because "the sale of the complete product in commerce is properly viewed as a sale of the component as well." U.S. Br. 19.

In contrast to these now-uniform positions, the Federal Circuit held categorically that no component may constitute an "article of manufacture" under

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[1] Apple's *amici* likewise concede that the relevant article of manufacture can be less than the entire product as sold. *See, e.g.*, ACT Br. 9 ("the 'article of manufacture' will not always be the finished product that is sold in commerce"); Bison Br. 8 ("the article of manufacture is not necessarily the entire product sold to consumers").

Section 289 unless it is "sold separately" to consumers. Pet. App. 29a. As the government rightly states, the Federal Circuit held that "the relevant 'article of manufacture' is *invariably* the entire product as sold." U.S. Br. 8 (emphasis added). This reading of the Federal Circuit's rule is beyond serious dispute; even Apple's *amici* agree that the Federal Circuit's test "considers whether the portion of the product containing the patented design is sold separately." Nordock Br. 2; *see* AIPLA Br. 6 (similar).

The Federal Circuit's holding is contrary to the statutory text, as the government correctly shows (U.S. Br. 17-19) and as Samsung has consistently argued (*see* Pet'r Br. 20-23, 28-34). Apple no longer contends otherwise. *Compare* Resp. Br. 35-38 *with* BIO 29-31. This Court should now confirm that Section 289 permits an award of infringer's profits in a case like this one based on only a component of an entire product.

B. Congress Did Not Abrogate Background Principles Of Causation In Enacting Section 289

Background principles of causation likewise counsel interpreting "article of manufacture" as encompassing a product component to which a patented design is applied and not necessarily the entire product. Any other interpretation would permit windfalls untethered from the infringement. For example, infringement of a patented cupholder design could result in an award of the total profit on a car—without proof that the cupholder caused the entire car's value. As *amici* 50 Intellectual Property Professors explain (Br. 8), "basic principles of remedies law require a plaintiff

to show some connection between the damages and the infringement." *See* Pet'r Br. 35-39.

Apple and the government do not deny (*see* Resp. Br. 33-34; U.S. Br. 15) that Congress is *presumed* to have "intend[ed] its legislation to incorporate" centuries-old requirements of causation and proportionality, and that this presumption may be overcome only if the statute "'speak[s] directly' to the question." *Meyer v. Holley*, 537 U.S. 280, 285 (2003) (quoting *United States v. Texas*, 507 U.S. 529, 534 (1993)); *see, e.g.*, *eBay, Inc. v. MercExchange, LLC*, 547 U.S. 388, 391-92 (2006).

Contrary to Apple's assertion (Br. 33-34), Congress made no such plain statement abrogating traditional principles of causation here. To the contrary, Section 289 contains language expressly *invoking* causation principles. The phrase "total profit" begs the question of causation: total profit from what? The only plain language in Section 289 touching on causation indicates that the answer is "profit *made from the infringement*," a standard "requirement of but-for causation," *Burrage v. United States*, 134 S. Ct. 881, 887-89 (2014) (reviewing phrases like "results from," "based on" and "by reason of"); *see Sheldon v. Metro-Goldwyn Pictures Corp.*, 309 U.S. 390, 399 (1940); *Dowagiac Mfg. Co. v. Minn. Moline Plow Co.*, 235 U.S. 641, 648-51 (1915).[2]

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[2] Apple identifies no statute in which Congress has been found to have eliminated the requirement to prove causation. Apple cites (Br. 34) *CSX Transportation, Inc. v. McBride*, 564 U.S. 685 (2011), but the statute there did not "eliminate[] the concept of proximate cause," *id.* at 700—it merely provided "a relaxed standard of causation," *id.* at 691-92. And it did so *explicitly* by limiting liability to cases where "injury or death result[ed] in whole *or in part*" from negligent conduct. 45 U.S.C. 51 (emphasis added). Section 289 contains no similar language.

Nor, contrary to Apple's suggestion (Br. 33), did the 1887 Congress signal any intent to abandon background principles of causation in enacting Section 289's predecessor. To the contrary, the members of Congress who spoke in favor of the bill focused exclusively on products like "carpeting, oil-cloths, wall-paper, and things of that sort"—products as to which "designs are the principal feature." 18 CONG. REC. 834-35 (1887) (Rep. Martin);[3] *see, e.g.*, H.R. REP. NO. 49-1996, at 3 (1886) (discussing decorative items like "carpets and wall-papers and oil-clothes"). Accordingly, when Congress found that "design sells the article" and "make[s] it possible to realize any profit at all," it did *not* find that "design drives sales" in general, but rather that design drives sales where (as with rugs) the design and product are nearly coextensive. Thus, far from abrogating causation, Congress at most exercised its fact-finding power to *presume* causation in a limited class of cases where it determined that the design causes sales of the article of manufacture to which the design is applied—relieving a design-patent holder of the evidentiary burden of proving as much. Congress did *not* indicate that it would endorse any similar presumption for products where (as here) design is *not* "the principal feature."

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[3] Apple disparages (Br. 33) Representative Martin's credibility because he said he was not perfectly "familiar with the [1887 Act's] language employed about patents"—but he was speaking there of the "colorable imitation" clause, not the remedies provision. 18 CONG. REC. 835.

C. Apple And Its *Amici* Fail To Dispel The Adverse Practical Consequences Of The Federal Circuit's Rule

Apple does not dispute the harms the Federal Circuit's rule would cause to innovation and competition except to suggest (Br. 57-60) that they are speculative. They are not. As *amici* supporting Samsung explain, this Court's affirmance of the Federal Circuit's rule would "transform a design patent into a sort of super-utility patent, allowing a design patentee to control an industry in a way that would be nearly impossible with utility patents." CCIA Br. 5; *see* Public Know. Br. 8. And it would open up new frontiers of litigation that would stifle the very innovation that the patent system seeks to encourage, leaving "legally unsophisticated entrepreneurs" (Engine Advocacy Br. 16) and "small companies lacking diverse product lines" (HLF Br. 8) especially vulnerable. *See* Internet Ass'n Br. 28.

Apple protests (Br. 57, 59) that, if such consequences were likely, they already would have come about. But cases like this one have not arisen frequently in the past only because the Federal Circuit had never before announced a rule that a design patent for a component of a complex product like a smartphone could be a litigation ticket to total profit on the entire phone. Affirmance would create new and "outsized incentives" for design-patent applications and lawsuits (Engine Advocacy Br. 24), inspire a new "cottage industry of opportunistic litigation" (Public Know. Br. 16), and embolden patent trolls to use design patents as their new weapon of choice (CCIA Br. 15-16).[4]

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[4] *See* Michael Macagnone, *Apple v. Samsung Could Spur 'Patent Trolls,' Tech Cos. Warn*, LAW360 (Aug. 2, 2016),

Apple alternatively suggests (Br. 58) that there is no reason to fear such negative consequences because design similarities can arise only through deliberate copying. Not so. To begin with, Apple's tired refrain that Samsung supposedly "copied" the iPhone may have worked with a jury but should be disregarded in this Court, especially in light of the record evidence that Samsung and others independently developed rectangular, round-cornered, flat-faced phones *before* Apple released the iPhone.[5]

In any event, Apple's suggestion is unavailing because "[p]atent infringement is a strict liability offense," William F. Lee & A. Douglas Melamed, *Breaking the Vicious Cycle of Patent Damages*, 101 CORNELL L. REV. 385, 403-04 (2016); *see Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476, 484 (1964). Thus, contrary to Apple's suggestion (Br. 30 n.7), "notice and marking requirement[s]" would not protect against innocent infringement. *See* 35 U.S.C. 287 (either marking *or* actual notice permits recovery for infringement). Indeed, Apple did not mark its phones with the patents at issue, and Samsung was already designing and selling accused phones by the time Apple gave notice. *See* Pet. App. 141a. Moreover, design patents are easily issued, often in a crowded field, and often for designs that

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http://www.law360.com/appellate/articles/822904/apple-v-samsung-could-spur-patent-trolls-tech-cos-warn.

[5] *See* Pet'r Br. 5; J.A. 262-64; J.A. 354; J.A. 506-10; J.A. 217-18; J.A. 211. Apple's suggestion (Br. 2, 9, 52) that Samsung "copied" Apple's front face out of a "crisis of design" is especially disingenuous; the referenced "crisis" concerned problems with an old, pre-Android operating system, not the look of Samsung's products. *See* J.A. 417 (referring to Windows-based phone, *see* J.A. 410); J.A. 147; J.A. 300; Dkt. 2842 at 1047.

include structural and non-ornamental functional features. *Cf.* Pet. App. 10a-18a (holding Apple's trade dresses on the same designs invalid as functional). Thus, contrary to Apple's suggestion (Br. 58), awarding the total profit on an entire product containing an infringing component will impose punitive consequences on many innocent infringers who have no intent to copy an ornamental design. *See* Pet'r Br. 50-51; Internet Ass'n Br. 24-27

Nor are Apple and its *amici* correct to suggest that ordinary infringement rules will prevent disproportionate design-patent awards under the Federal Circuit's interpretation of Section 289. Some *amici* argue that a finding of infringement necessarily means that an infringer has "captured sales" of an entire product, making the total profit on the entire product an appropriate remedy. *See* Industrial Design Prof'ls Br. 25; Cleveland Golf Br. 15-16; *see also* Resp. Br. 53-54. But that is incorrect, for design-patent law (unlike other areas of law such as trademark) does not require any showing of consumer confusion, nor was there any evidence below that any consumer bought a Samsung phone thinking it was an iPhone. *Cf.* Pet. App. 162a (instructions); *id.* 24a (affirming same). Thus, it is wrong to suggest that an infringement finding is a proxy for causation.

Apple asserts that the ordinary consumer "would never confuse a cupholder design with a car or think that a cupholder gave a car its 'peculiar or distinctive appearance.'" Resp. Br. 53 (quoting *Gorham v. White*, 81 U.S. 511, 525 (1871)). But Apple overlooks that the governing "ordinary observer" test compares the claimed design and *the portions of* the accused product that correspond to that design, disregarding other product design features. *See, e.g., Apple Inc. v.*

Samsung Elecs. Co., 678 F.3d 1314, 1326-27 (Fed. Cir. 2012) (requiring comparison of only claimed features of design patents for invalidity analysis); *Contessa Food Prods., Inc. v. Conagra, Inc.*, 282 F.3d 1370, 1378 (Fed. Cir. 2002) (same for infringement analysis; "[i]f features appearing in the figures are not desired to be claimed, the patentee is permitted to show the features in broken lines to exclude those features from the claimed design"). Thus, contrary to *amici*'s argument (Industrial Design Prof'ls Br. 30), it is irrelevant whether an ordinary observer would confuse a Jeep with a Porsche in a case involving infringement of a cupholder design. Yet under the Federal Circuit's rule, infringement of the cupholder design would still entitle the patent-holder to the total profit on the Jeep that incorporated the cupholder—a plainly untenable result.

In contrast, no adverse practical consequences will flow from awarding only profits from the "article of manufacture" to which a design is applied. Apple's *amici* suggest (*see* Nike Br. 21-30; Tiffany Br. 14-19; Crocs Br. 17-21) that a total-profit-on-the-product rule is needed to deter counterfeiters. But where a patented design is applied to an article that is coextensive with a product (like a rug or a shoe), the total profit on the product will still be available under Section 289. And if the patented design is applied only to a component of a product (like a heel or a sole of a shoe), then any infringement would not amount to "counterfeiting," and an award of the total profit on the entire product would be disproportionate. Moreover, design-patent holders still may obtain awards of lost profits under Section 284—obviating *amici*'s concern that consumers would be diverted to counterfeit products. There is thus no need to require disgorgement of all profits on products as sold in all instances, no

matter how trivial the patented design; counterfeiting will be deterred even absent such a draconian rule.

II. CONTRARY TO APPLE'S ARGUMENT, THIS COURT SHOULD REVERSE OR VACATE THE JUDGMENT BELOW

Abandoning its defense of the entire-product rule on the merits, Apple suggests that the courts below did not in fact limit Section 289 awards to the total profit on the entire product and that Samsung in any event was obliged to show that the relevant "articles of manufacture" were not its entire phones. Both of Apple's suggestions are incorrect.

A. Apple Cannot Rewrite The Decisions Below

1. The District Court's Jury Instructions Misconstrued Section 289

a. As the government recognizes (U.S. Br. 31-32), the district court instructed the jury—at Apple's request—to award all of Samsung's profits on the products it sold by "equat[ing] the relevant 'article of manufacture' with the accused phones as a whole." *See* Pet. App. 165a (Instruction No. 54); *see also* Pet'r Br. 21, 58-59.

Contrary to Apple's suggestion (Br. 47), viewing that instruction in "context" cannot dispel its invocation of an entire-product rule. The district court's instructions used the words "product" and "article" interchangeably in phrases like "profits from sales of *products*" and "profit on the sale of the *article*" (or "total profit attributable to the infringing *products*" and "all profit earned by that defendant on sales of *articles*"). Pet. App. 165a (emphases added); *id.* (also indiscriminately using "articles" in relation to revenue

and "products" in relation to costs). Apple is also wrong to suggest (*see* Br. 45, 47) that the phrase "*may* award" meant that the jury could find an "article of manufacture" less than the entire product. That instruction just meant that the jury *may* award *either* total profit under Section 289 *or* a lost-profits or reasonable-royalty remedy under Section 284. J.A. 268-71.

And far from telling the jurors that the instruction allowed them to determine the articles of manufacture for themselves (*see* Resp. Br. 42-48), Apple argued the opposite in closing. Capitalizing on the instruction it had obtained, Apple told the jury: "[A]s [the district judge] just told you, Congress awards the entire profit on a *product, not just part of that product*." Dkt. 1997 at 4124 (emphasis added).

Apple likewise errs in suggesting (Br. 45-46) that Samsung somehow assented to the district court's instructions. Apple buries in a footnote its admission that Samsung's *operative* proposed instruction referred to profits on "articles," not "products." *Id.* 46 n.16; J.A. 203-04. And Samsung plainly objected to the district court's instruction. J.A. 246-47

b. Apple also fails to justify the court's failure to give Samsung's proposed article-of-manufacture instruction. *See* J.A. 206-07 (Instruction No. 42.1); *see also* Pet'r Br. 20-21. Contrary to Apple's suggestion (Br. 44), there was ample evidence in the record to support that instruction. *See infra*, at 20-22. But Apple successfully objected by arguing that, under Section 289, "a patent holder may recover total profits on 'the article of manufacture'" and that "[t]he Federal Circuit in *Nike* explains that this refers to *the product that is sold*." J.A. 208 (emphasis added).

Apple's new attacks on Samsung's proposed instruction are unfounded. Contrary to Apple's suggestion (Br. 44), Samsung did not ask the court to tell the jury that the "article of manufacture" was a portion of the product as a matter of law, but rather that "[t]he article to which Apple's design was applied *may be the same as or different from* Samsung's devices as sold" (J.A. 207 (emphasis added)). Also contrary to Apple's suggestion (Br. 45), the court could have properly told the jury that, where the relevant article of manufacture was only a "part or portion of the product," the award should not include profits from other parts of the product, including "the technology by which the devices operate or from any other functions of the devices." J.A. 207. Even if Samsung's proposed instruction had been deficient, the district court was obliged to modify it rather than omit it altogether. *See, e.g.*, *Hunter v. Cty. of Sacramento*, 652 F.3d 1225, 1235 n.11 (9th Cir. 2011).[6]

2. The Federal Circuit Misconstrued Section 289

The Federal Circuit adopted the same categorical rule as the district court. Rather than defend the Federal Circuit's rule, Apple now seeks (Br. 41) to rewrite the decision below to try to take advantage of the government's argument (U.S. Br. 25-27) that determining the relevant article of manufacture is a question for the finder of fact based on the totality of

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[6] *Transportation Line v. Hope*, 95 U.S. 297 (1877) (cited in Resp. Br. 45), is not to the contrary. This Court there held that the charge given on the issue was correct, and thus there was no duty to give a competing and erroneous instruction in its place; nothing was said about omitting an instruction on an issue altogether. *Id.* at 299-301.

the circumstances. But contrary to Apple's assertion, the Federal Circuit nowhere suggested that the district court's instructions had allowed the jury here to decide as a factual matter what the relevant articles of manufacture were, or to determine profits accordingly. *See* Pet. App. 29a.

Any doubt that the Federal Circuit adopted a categorical product-as-sold rule is dispelled by that court's own interpretation and application of the decision below. In *Nordock, Inc. v. Systems Inc.*, 803 F.3d 1344 (Fed. Cir 2015), *pet. for cert. filed*, No. 15-978 (Jan. 28, 2016), the plaintiff's expert calculated profits based on the entire product (a dock leveler), and the defendant's expert calculated profits based on the accused component as shown in the patent (a lip and hinge plate). The Federal Circuit did not treat the choice between the two as an issue of fact but rather held, as a matter of *law*, that "the article of manufacture at issue is a dock leveler" rather than the "lip and hinge plate" because the defendant did not sell "a 'lip and hinge plate' separate from the leveler as a complete unit." *Id.* at 1354-56. In support, the Federal Circuit cited its decision in this case. *Id.* at 1354 (citing Pet. App. 29a).[7]

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[7] Contrary to Apple's suggestion (Br. 55), *Pacific Coast Marine Windshields Ltd. v. Malibu Boats, LLC*, 2014 WL 4185297 (M.D. Fla. Aug. 22, 2014), applied the same categorical rule, relying on the district court's decision below, *id.* at *11 (citing Pet. App. 133a). The court ruled as a matter of law that "Pacific is *entitled* to Malibu's profits from the sale of its boats with the windshield" because "Malibu sells *boats*, to which patented windshields have been applied." *Id.* (emphasis added).

B. This Court Should Reverse And Direct Judgment For Samsung

The Federal Circuit's misinterpretation of Section 289 necessitates reversal. On the existing record, no reasonable jury could find that the relevant articles of manufacture were Samsung's entire phones. And because Apple adopted an all-or-nothing strategy, it furnished no basis for a reasonable jury to award profits on any article of manufacture less than the entire phones. Samsung is therefore entitled to entry of judgment in its favor.

1. The Patent Claims Themselves Delimit The Relevant Articles Of Manufacture

While the government identifies (U.S. Br. 27-29) four "considerations" to guide the determination of the article of manufacture to which a design has been applied (all of which favor Samsung, *see infra*, at 20-22), the patent claim itself is by far the most important. As Apple acknowledges (Br. 53), the scope of the infringer's profits remedy should be tied to the scope of infringement. *See* Pet'r Br. 50; U.S. Br. 23-24. But the infringement inquiry compares a claimed design with the corresponding portion of the accused product, not with other unaccused portions of the product or the product as a whole. The "article of manufacture" used to determine infringer's profits should likewise correspond to the patent claim and the portion of the product accused of infringing it, in keeping with traditional principles of causation. Accordingly, where, as here, a patent holder asserts only a partial claim against only discrete portions of a product, the corresponding article of manufacture cannot be the entire product.

And because the principal consideration for the article-of-manufacture inquiry is the patent claim itself, in most instances the determination may be conducted by a court rather than a jury. The district courts, rather than juries, determine claim construction, *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 390 (1996), even where fact disputes exist, *Teva Pharms. USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831, 835 (2015). Similarly here, judicial "construction" of the article of manufacture to which a design patent is applied would promote "uniformity" and eliminate "uncertainty" as to what the patent protects. *Markman*, 517 U.S. at 390.

2. Apple Bore The Burden Of Identifying The Relevant Articles Of Manufacture

Apple, as the party seeking infringer's profits, bore the burden of identifying the relevant articles of manufacture. The "ordinary default rule" is that "plaintiffs bear the burden of persuasion regarding the essential aspects of their claims." *Schaffer v. Weast*, 546 U.S. 49, 56-57 (2005). "Absent some reason to believe that Congress intended otherwise ... the burden of persuasion lies where it usually falls, upon the party seeking relief." *Id.* at 56, 57 Thus, in patent cases, "[t]he burden of proving damages falls on the patentee." *Lucent Techs., Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1324 (Fed. Cir. 2009); *see Uniloc USA, Inc. v. Microsoft Corp.*, 632 F.3d 1292, 1315 (Fed. Cir. 2011). And, likewise, it is traditionally the plaintiff's burden to prove causation—*i.e.*, that the legal wrong caused injury. *See, e.g.*, *Univ. of Texas Sw. Med. Ctr. v. Nassar*, 133 S. Ct. 2517, 2524 (2013).

Nothing in the text of Section 289 reveals any intent to impose any burden of proof on defendants, in sharp contrast to other profits-disgorgement statutes that explicitly shift burdens to defendants, *see, e.g.*, 15 U.S.C. 1117(a) (trademark); 17 U.S.C. 504(b) (copyright). Moreover, the legislative history is clear that the default burden applies: "the patentee recovers the profit actually made on the infringing article *if he can prove that profit*." H.R. REP. NO. 49-1966, at 3 (emphasis added).[8]

The government proposes (U.S. Br. 31) shifting the burden to defendants based on a supposed asymmetry of information. But the "peculiar means of knowledge" mentioned in *Alaska Department of Environmental Conservation v. EPA*, 540 U.S. 461, 494 n.17 (2004); *see Medtronic, Inc. v. Mirowski Family Ventures, LLC*, 134 S. Ct. 843, 851 (2014) (similar), refers to situations where there is "*exclusive* knowledge in one party" such that that party alone can prove or disprove a fact at issue. 2 MCCORMICK ON EVIDENCE § 337 (7th ed. 2013) (emphasis added). There is no reason to believe that design-patent defendants will have exclusive access to relevant information that the plaintiff does not already have or could not obtain in discovery. Apple does not suggest in its brief that it lacked any information relevant to determining the articles of manufacture. And, in any event, Congress has already addressed any potential problems of proof by setting a statutory minimum floor for potential recovery. *See* H.R. REP. NO. 49-1966, at 3 ("[T]o meet

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[8] Apple cites authorities (Br. 38) holding that damages are generally an issue of fact, but those cases say nothing about shifting the burden of proving damages to defendants. *See Story Parchment Co. v. Paterson Parchment Paper Co.*, 282 U.S. 555, 562 (1931); *Pearson v. Duane*, 71 U.S. 605, 614 (1867).

the case when the exact profit in dollars and cents cannot be proved ... the bill prescribes a minimum recovery of $250."); S. REP. NO. 49-206, at 2 (1886) (similar); *see also* 35 U.S.C. 284. There is thus no statutory basis for shifting any burden to design-patent defendants.

3. No Properly Instructed Jury Could Have Found For Apple On This Record

Apple's failures of proof warrant entry of judgment for Samsung. Apple neither opposed nor appealed the district court's proper instruction that it was Apple's burden "to prove the defendant's profits." J.A. 268. Apple made a strategic decision to prove only Samsung's profits on the entire accused phones. *See* Resp. Br. 21. And even though it was asserting only patents with narrow claims, Apple chose not to offer any alternative calculation of profits attributable to the components of Samsung's phones corresponding to the claimed designs. To the contrary, Apple insisted in the district court that it was entitled *as a matter of law* to Samsung's total profit on its entire phones.[9]

But Apple presented no evidence that the entire Samsung phones were the relevant articles of manu-

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[9] *See, e.g.*, Dkt. 940-1 at 21; Dkt. 1059-1 at 12 (Apple's *Daubert* motion to preclude Samsung's damages expert from testifying to any total-profit amount less than that on the entire phones); Dkt. 1189 at 18 (Apple's pretrial statement, arguing that it was "entitled to recover all of Samsung's profits relating to the *accused products*") (emphasis added); Dkt. 1323 at 21 (Apple's trial brief, arguing that it was entitled to "all profits received by the infringer for sale of the *product*") (emphasis added); *supra*, at 12.

facture. Apple tries to overcome that glaring deficiency now by suggesting (Br. 54) that the three asserted patents together evoke the "look and feel" of an iPhone and thus make the entire phone the relevant article of manufacture. But "look and feel" is not a patentable subject matter, and the three narrow designs that Apple actually patented and asserted here (a front face, a front face with bezel and a specific array of icons) claim only fractional portions of a phone. *See* Pet'r Br. 6-9. In any event, Apple omits to mention that its supposed three-patent combination played no role whatsoever in the $399 million award. To the contrary, the jury found that ten of the eleven phones at issue infringed only a *single* patent, and that *none* of those phones infringed all three. *See* Pet'r Br. 19 & n.10.[10]

The only reasonable conclusion is that the relevant articles of manufacture were less than the entire phones. But Apple offered no proof of Samsung's total profit from anything less than the entire phones, thereby failing to prove the total profit attributable to the relevant articles of manufacture. In these circumstances, reversal is warranted. *See, e.g.*, *Boyle v. United Techs. Corp.*, 487 U.S. 500, 513 (1988) (judgment may be entered for defendant "without a new trial" where "the evidence presented in the first trial would not suffice, as a matter of law, to support a jury verdict" for the plaintiff under correct instructions).[11]

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[10] Apple cites (Br. 21-22 n.6) evidence that it intended to make a "beautiful object" (*e.g.*, J.A. 97) and that some consumers value "design" in general (J.A. 107-10; J.A. 310), but such evidence shows nothing about whether profits on any Samsung phone were attributable to any of the narrow patented designs.

[11] Apple asserts (Br. 48-49) that Samsung did not challenge the sufficiency of the evidence, but ignores that Samsung argued

C. Alternatively, This Court Should Vacate And Remand For Further Proceedings

1. If Samsung is not entitled to judgment as a matter of law, then at minimum a new trial on design-patent damages is warranted because the district court failed to properly instruct the jury. *See supra*, at 11-13. Contrary to Apple's new argument (Br. 42-44), ample evidence supported instructing the jury that the relevant articles of manufacture could be something less than Samsung's entire phones, as application of the government's four considerations (U.S. Br. 27-29) makes clear:

First, the jury heard undisputed evidence that "the scope of the design[s] claimed in the plaintiff's patent[s]" was limited to discrete portions of the products. The parties' experts agreed that the patents were limited in scope to the front face, bezel, and single GUI screen, with all other design elements disclaimed. J.A. 149-50; J.A. 153; J.A. 169; J.A. 175; Dkt. 1840 at 2579-80.

Second, the jury also heard abundant evidence concerning "the relative prominence of the design[s] within the product[s] as a whole" and whether there were "other components unaffected by the design[s]." For the D'677 and D'087 patents, Apple's media articles about Samsung's devices showed that non-accused components, particularly the entire "curved plastic back" casing on the phones and "curved candy

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below that no properly instructed jury could have awarded Samsung's entire profits on the accused phones. *See* Samsung C.A. Br. 39-40. Apple is thus wrong to suggest (Br. 49 n.20) that there must be a damages retrial if this Court holds that the courts below interpreted Section 289 incorrectly.

bar shape," were distinct parts of the phones' external appearance that did not embody the claimed designs. J.A. 359-61. The evidence also showed that Apple changed the appearance of the *back and sides* of the iPhone, not the front face, to offer new designs to consumers. Reply App. 1a-3a. For the D'305 patent, the jury heard that the "applications screens" found to infringe on the Samsung phones were buried several layers deep in the user interface. J.A. 174-76. And there was substantial evidence regarding the importance of functionality in the parties' smartphones that was unrelated to the designs at issue. *See* Pet'r Br. 9-10, 57-58.

Third, the jury also heard unequivocal evidence that the patented designs were "conceptually distinct from the product[s] as a whole." Apple's experts, in their infringement analyses, intentionally ignored numerous dissimilar portions of Samsung's product designs that did not correspond to the patent claims. Dkt. 1611 at 1016, 1050-51, 1059; J.A. 175. Further, for the D'677 and D'087 patents, Apple's own exhibit described the phones' various accused and unaccused external features as distinct components. J.A. 359. And the jury heard hours of testimony and saw exhibits about numerous applications and GUI screens that are displayed on the phones quite apart from the specific array of icons depicted in the D'305 patent—including, for example, the home screen, web browser, contacts program, and picture gallery. *E.g.*, Dkt. 1695 at 1741-1907; J.A. 174-76; J.A. 495; Reply App. 5a, 11a.

Fourth, as to the "physical relationship between the patented design and the rest of the product," the jury heard that each "design pertains to a component that a user or seller can physically separate from the

product" or "is embodied in a component that is manufactured separately from the rest of the product." For the D'677 and D'087 patents, witnesses described how the various parts of the phones were separately manufactured and assembled in relation to one another, including the glass surface and bezel. J.A. 127-29; Dkt. 1840 at 2605, 2610; *see* J.A. 99-100. The jury also saw an Apple presentation showing all of the components of a Samsung phone separated. Reply App. 4a-11a. And for the D'305 patent, the jury heard that the applications menu was separable because it could be changed through a software update without needing to alter any other part of the phone. *See* Dkt. 2842 at 996, 1030; *see also* Dkt. 1842 at 3195-96.

There was ample evidence in the record entitling Samsung to its requested instruction, and at minimum a new trial is warranted.

2. A new trial would be especially warranted if this Court were to adopt a new and *sui generis* rule imposing a burden on design-patent *defendants* to prove the relevant article of manufacture and the profits therefrom. The parties never joined issue on the burden question, and the courts below never decided it. Because no such rule was raised or contemplated in the courts below, Samsung should have a "fair opportunity to litigate [its] case in light of [the Court's] holding." *Hertz Corp. v. Friend*, 559 U.S. 77, 95-97 (2010).

CONCLUSION

The judgment of the court of appeals should be reversed or vacated.

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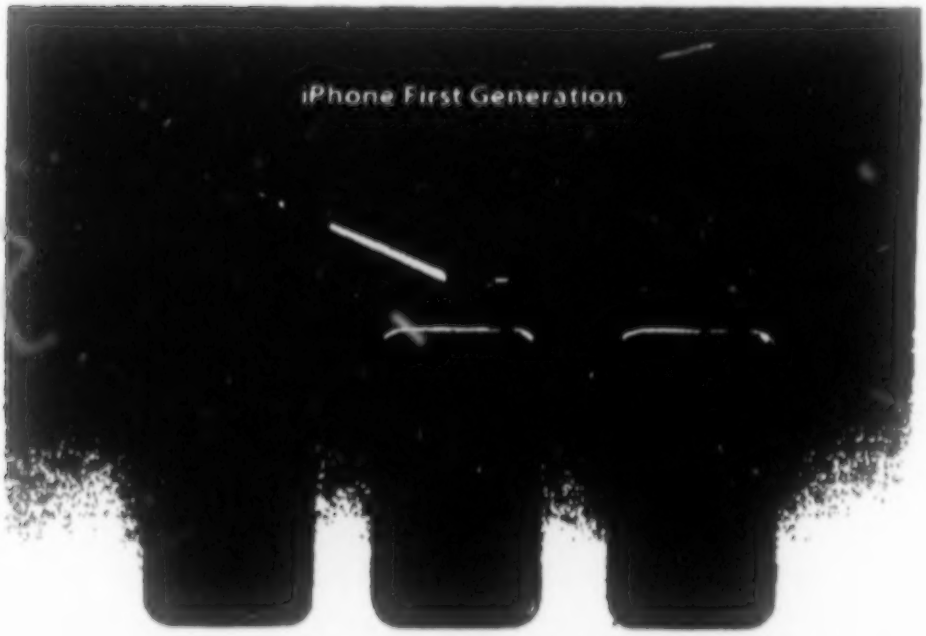
August 29, 2016

APPENDIX

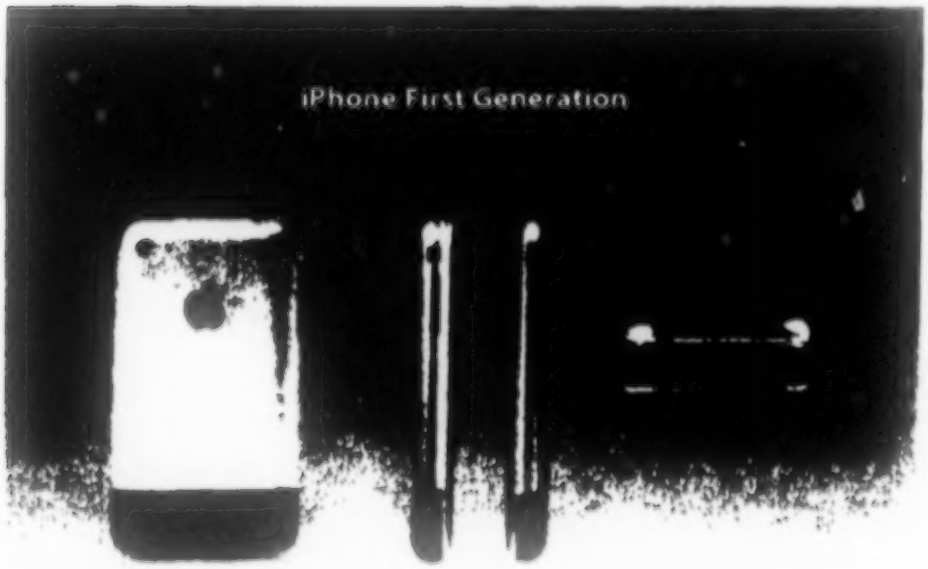
APPENDIX A

PLAINTIFF'S EXHIBIT NO. 8

Plaintiff's Exhibit No. 8.2



Plaintiff's Exhibit No. 8.3



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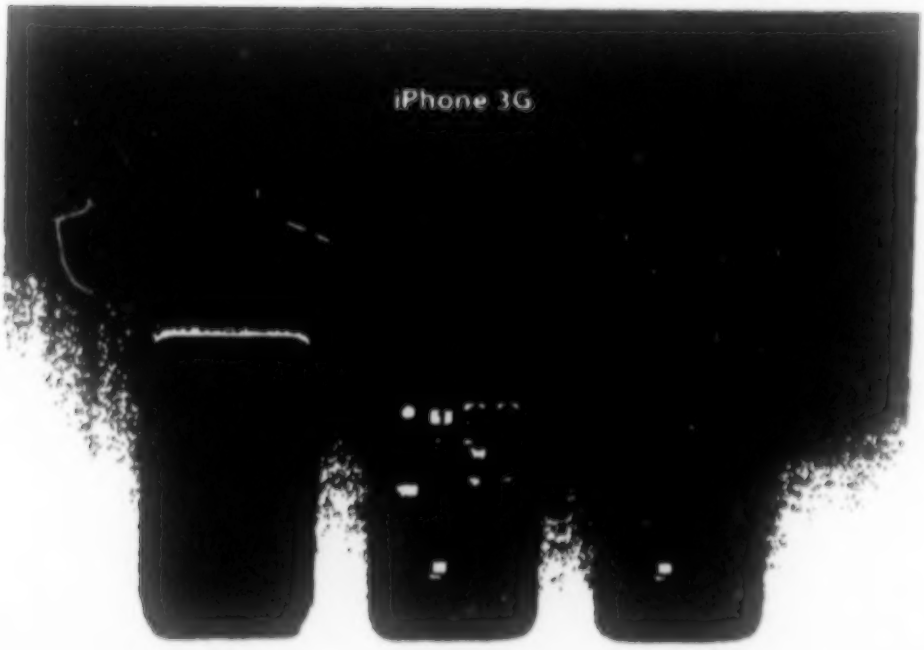
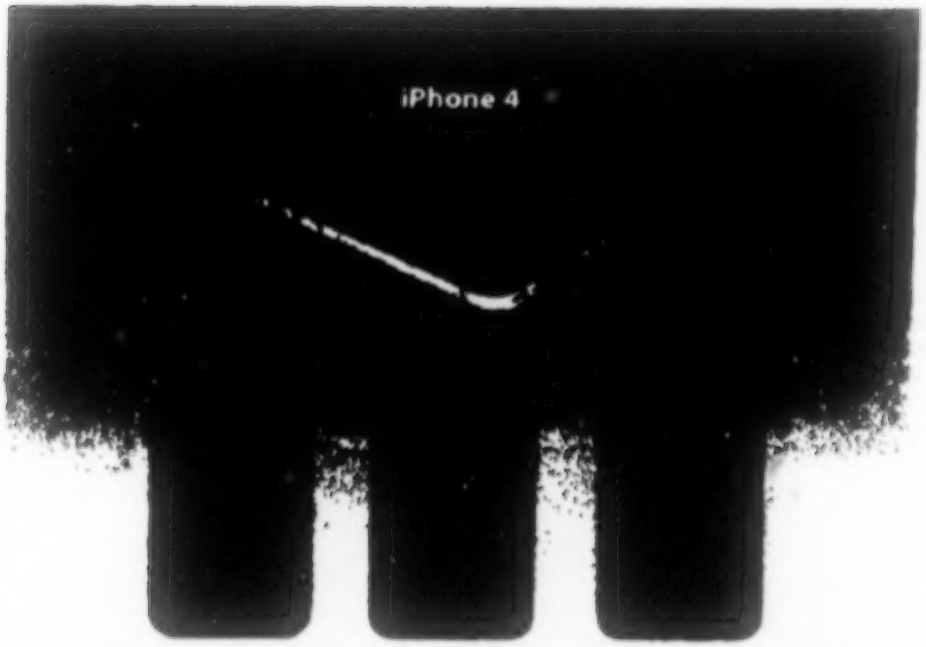


Plaintiff's Exhibit No. 8.5

Plaintiff's Exhibit No. 8.8



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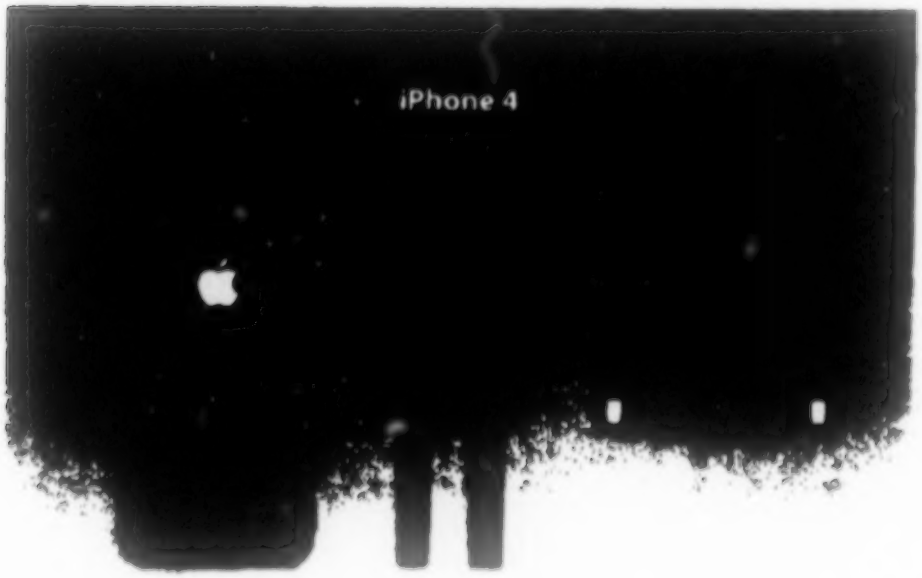


APPENDIX B

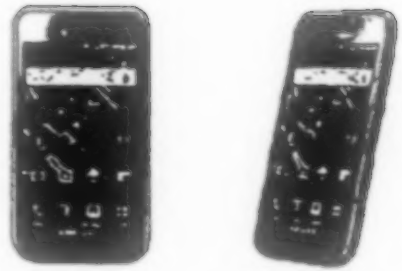
DEFENDANTS' EXHIBIT NO. 2519

Defendants' Exhibit No. 2519.001

Mini-Teardown:

Samsung Galaxy S
(T-Mobile Vibrant)

iPod/iPhone New Tech 8.10.10



- Summary p2
- Product Specs p3
- Features p4
- Disassembly p5
- HW Components p10
- Software Features p12
- Additional Comments p13

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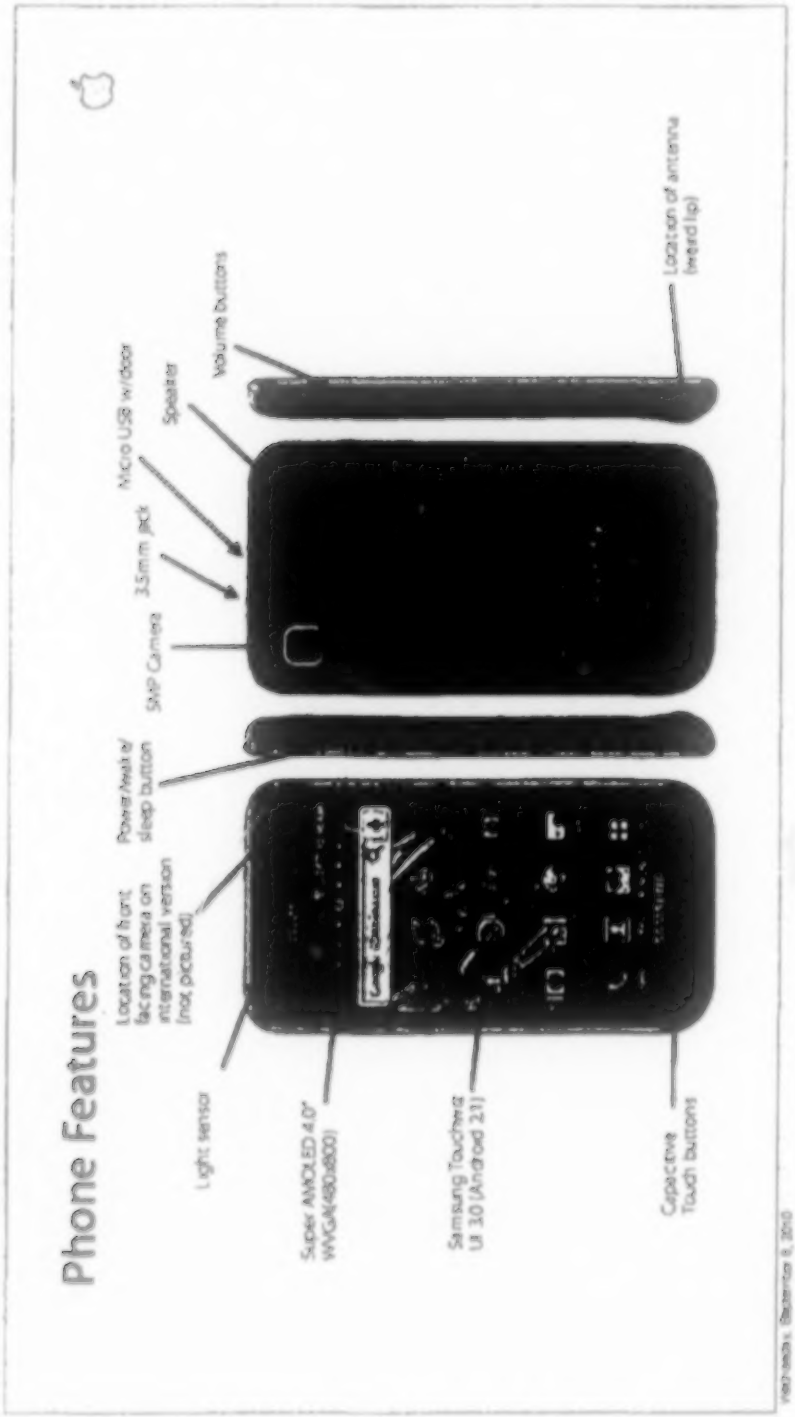
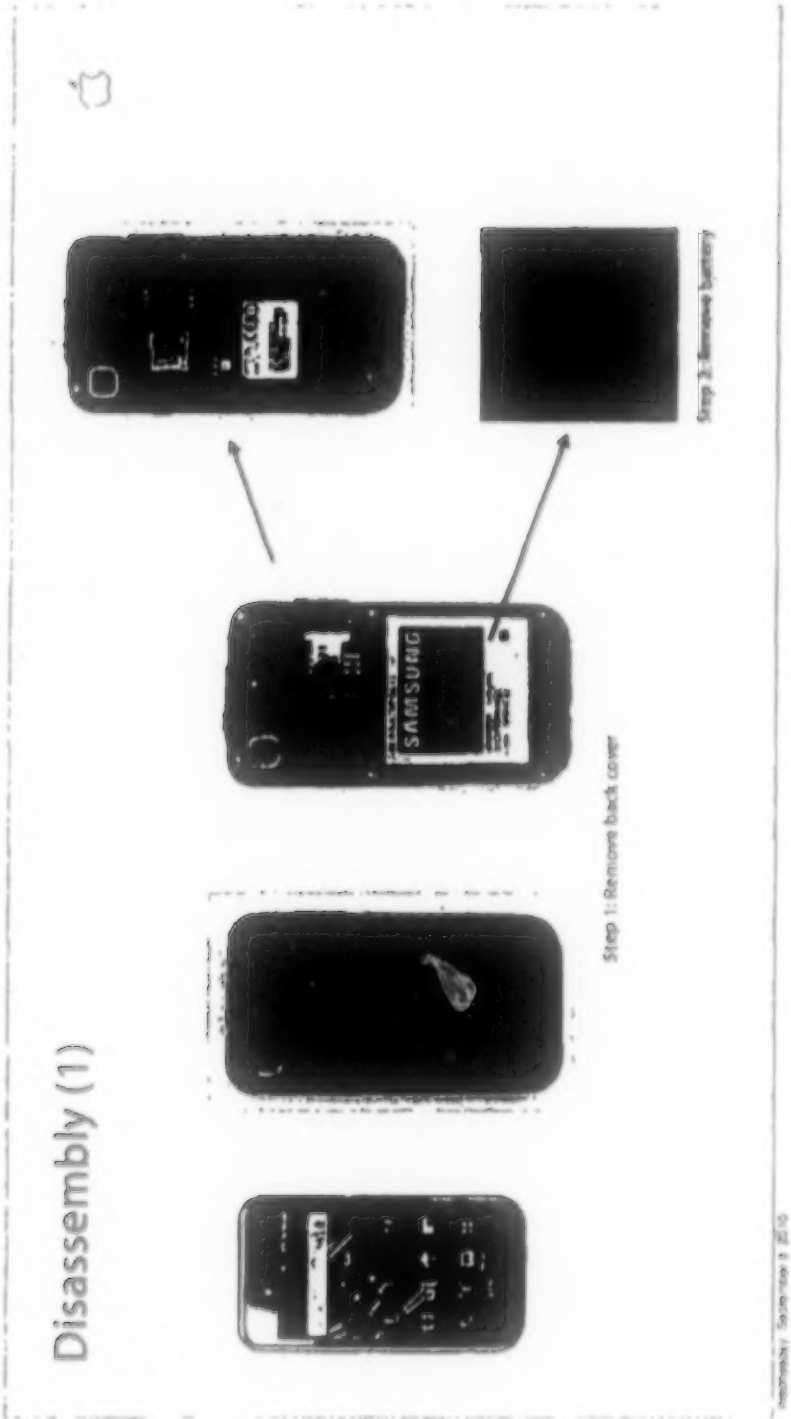
DEFENDANT'S EXHIBIT
NO. 2519.001
United States District Court
Northern District of California
No. 11-CV-1846-LHK (PSG)
Apple v. Samsung
Date Admitted _____ By _____

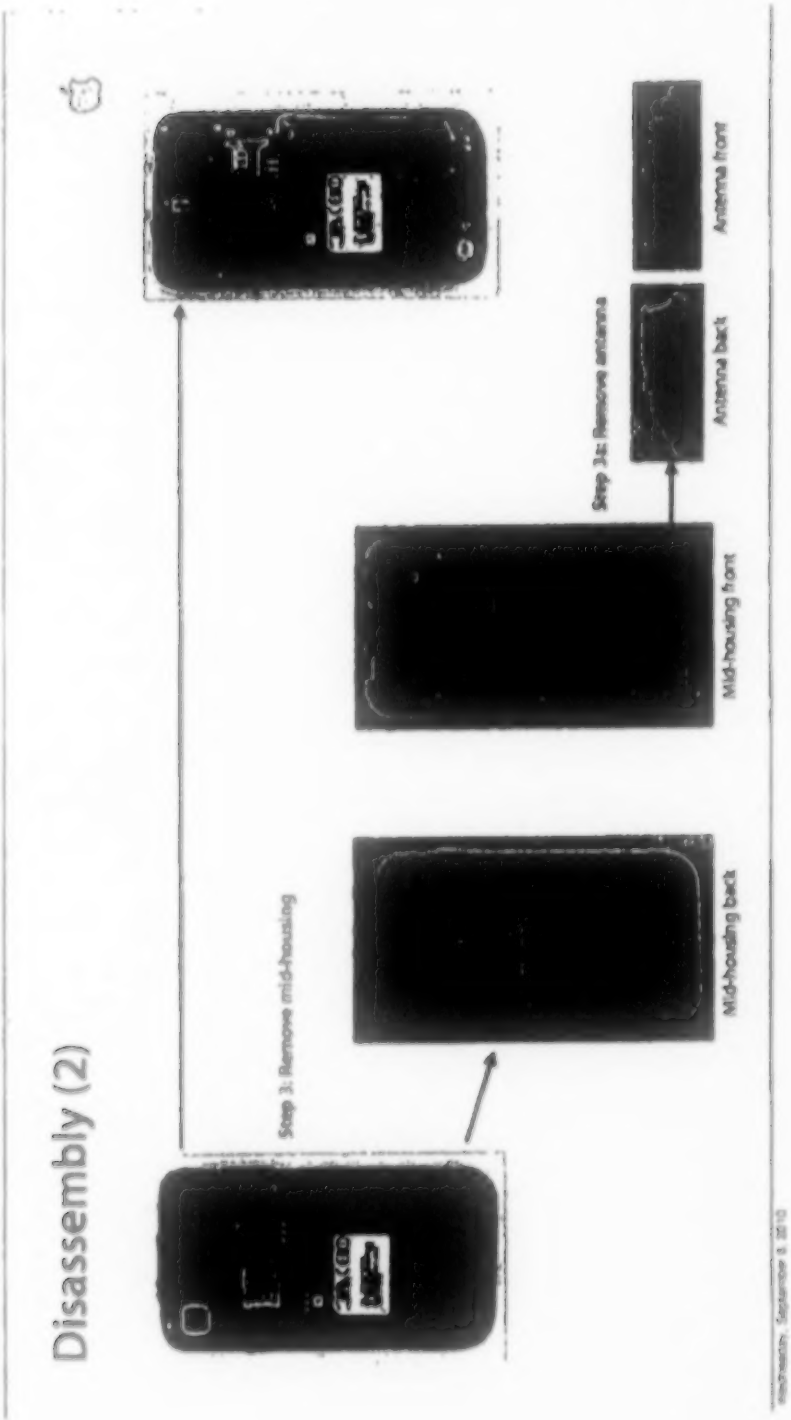
Defendants' Exhibit No. 2519.004



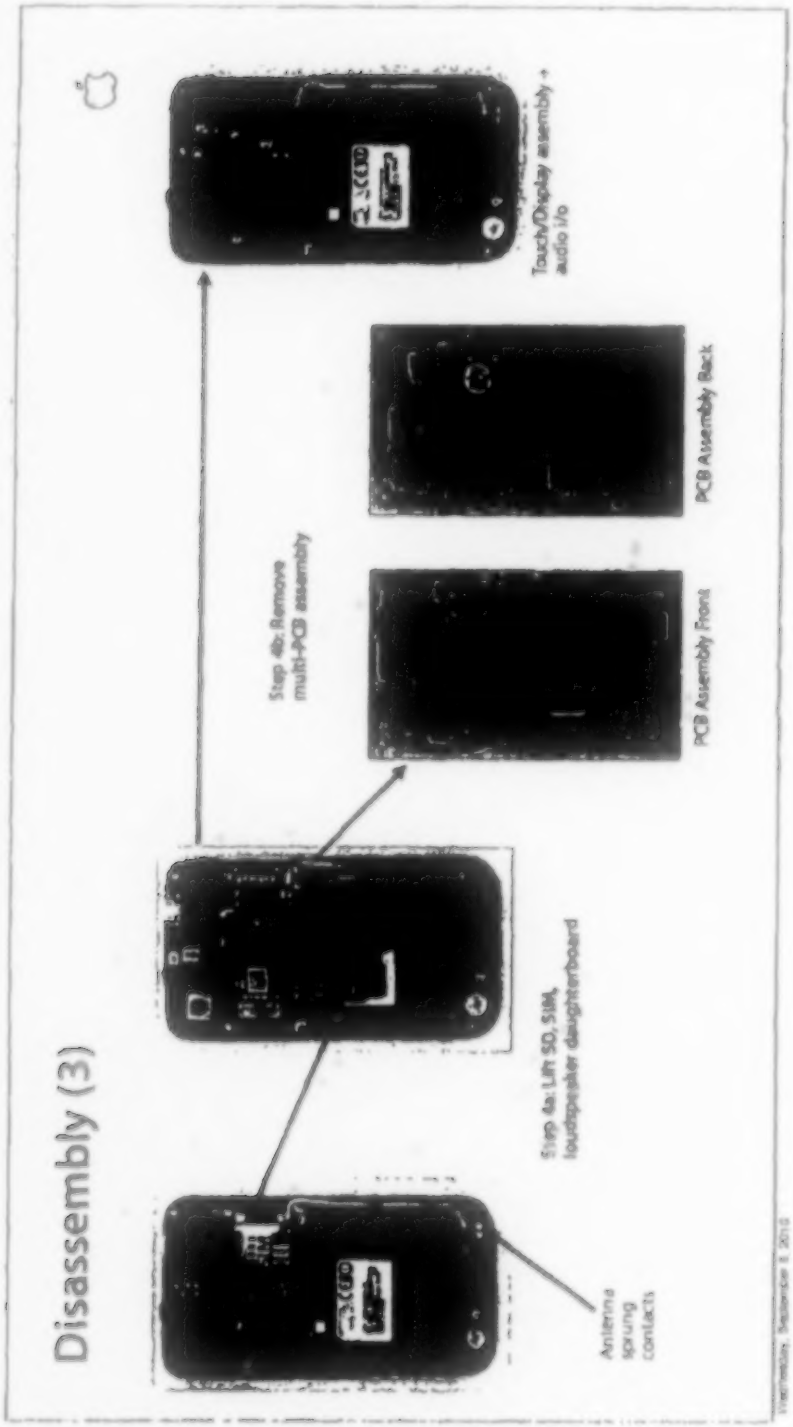
Defendants' Exhibit No. 2519.005



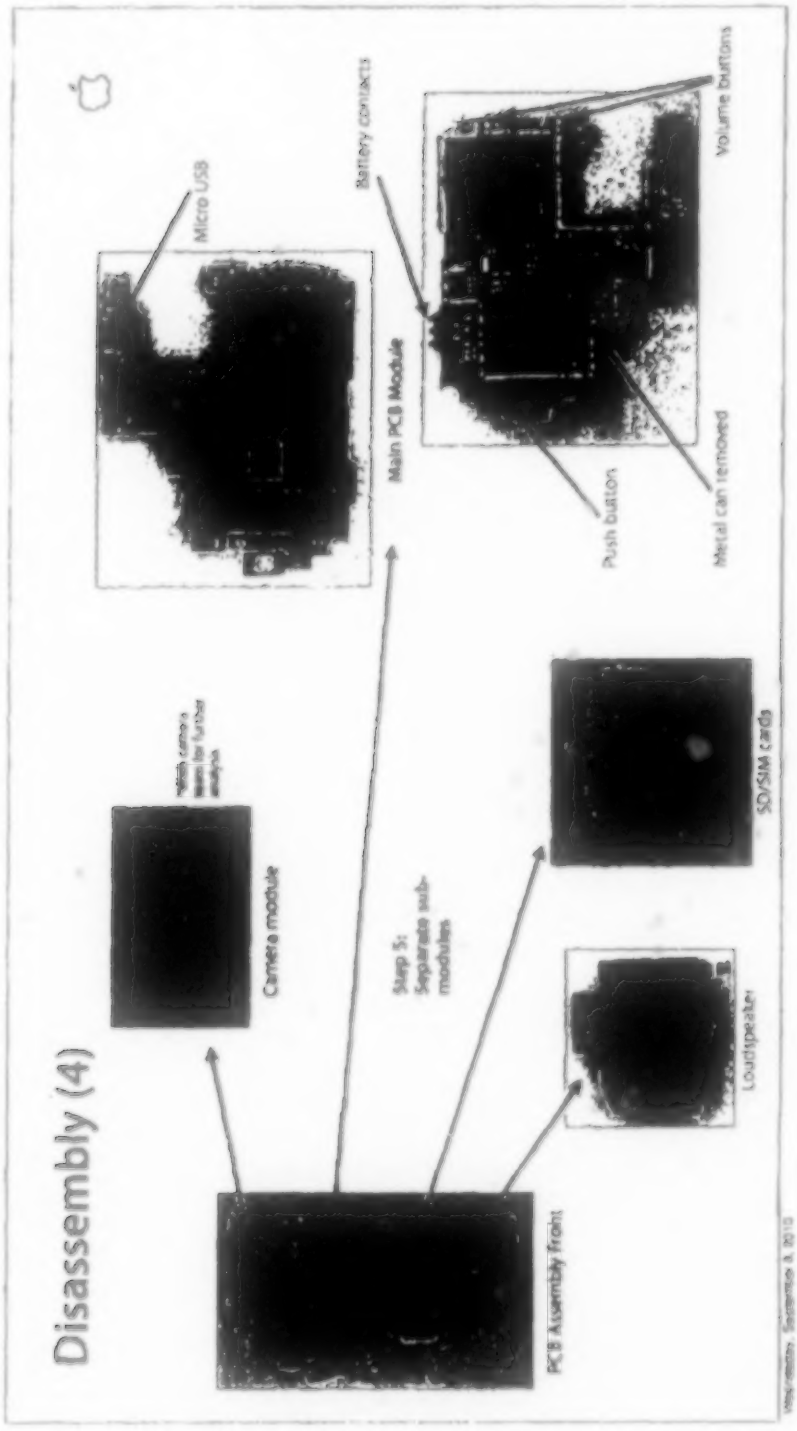
Defendants' Exhibit No. 2519.006



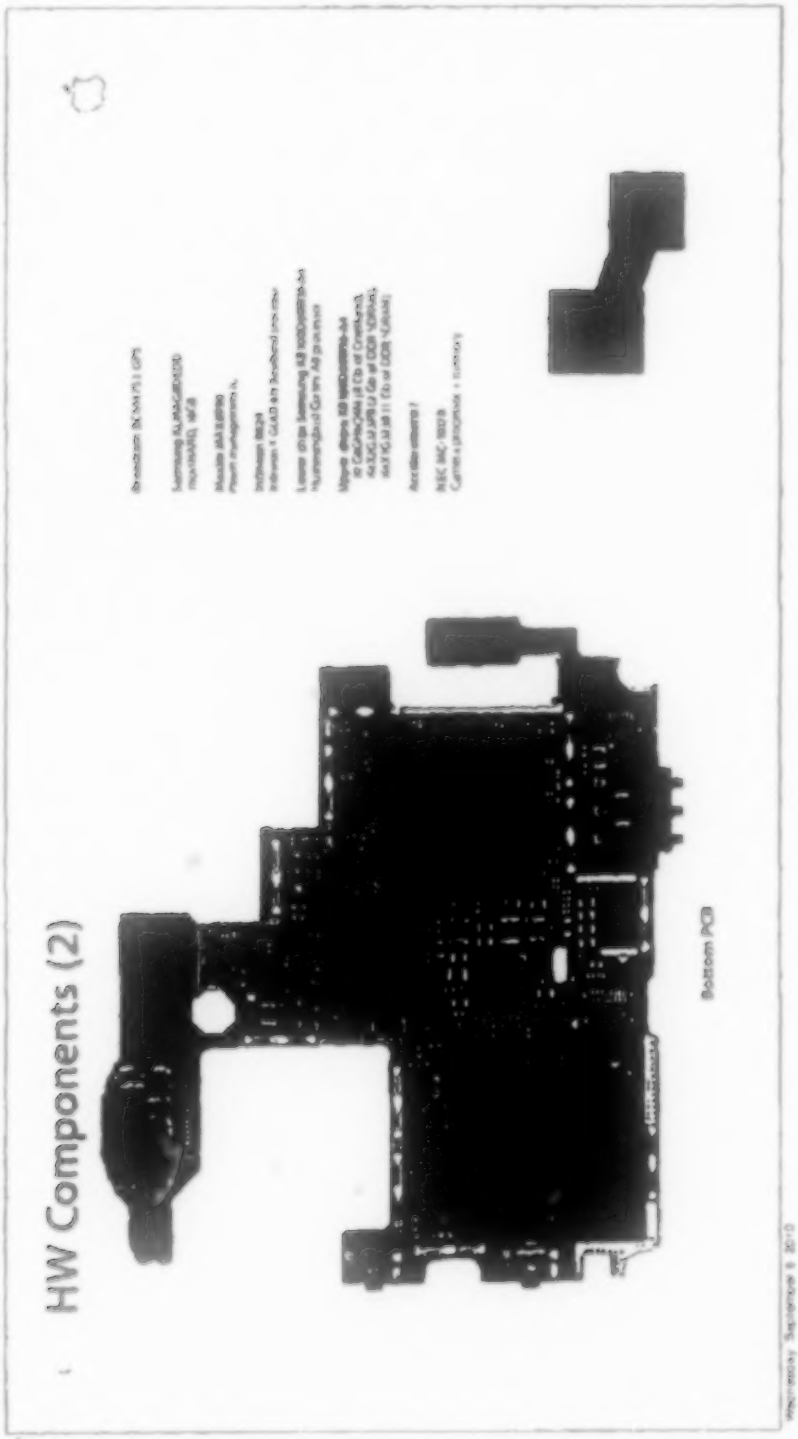
Defendants' Exhibit No. 2519.007



Defendants' Exhibit No. 2519.008



Defendants' Exhibit No. 2519.011



Defendants' Exhibit No. 2519.012

No. 15-777

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SAMSUNG ELECTRONICS CO., LTD., ET AL., PETITIONERS

v.

APPLE INC.

ON WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

BRIEF FOR THE UNITED STATES AS AMICUS CURIAE SUPPORTING NEITHER PARTY

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QUESTION PRESENTED

Section 289 of the Patent Act of 1952 provides that whoever "applies [a] patented design, or any colorable imitation thereof, to any article of manufacture for the purpose of sale," or "sells or exposes for sale any article of manufacture to which such design or colorable imitation has been applied," shall be "liable to the [patent] owner to the extent of his total profit." 35 U.S.C. 289. The question presented is as follows:

Whether, when a defendant infringes a design patent by including the patented design in a multi-component product that is sold to the public, the patent holder is entitled to recover the defendant's entire profit realized from sales of the finished product.

TABLE OF CONTENTS

Page

Interest of the United States 1
Statement 1
Summary of argument 7
Argument 9
I. Section 289 authorizes a patent owner to recover an infringer's total profit from an infringing article of manufacture 10
A. Section 289 does not permit apportionment based on the extent to which the infringer's profit on the relevant "article of manufacture" was attributable to the infringing design 11
B. Petitioners identify no sound basis for construing Section 289 to allow an award of less than the infringer's total profit from the relevant article of manufacture 14
II. To calculate the total profit due under Section 289, the factfinder must identify the "article of manufacture" to which the infringing design has been applied, and that article will not always be the finished product sold to end-users 16
A. The relevant "article of manufacture" for purposes of Section 289 may be a component of a multi-component product 17
1. The term "article of manufacture" is broad enough to include components of a complete product 17
2. Section 289 does not limit the types of articles that may qualify as the relevant "article of manufacture" 18
3. The judicial and administrative understanding of the term "article of manufacture" has long included components of products 19

Table of Contents—Continued: Page

4. Treating the complete product as the relevant "article of manufacture" in every case would often produce greatly disproportionate infringement liability 23
B. Identifying the relevant "article of manufacture" is a task for the finder of fact under the totality of the circumstances 25
C. The Court should remand this case for further proceedings 31
Conclusion 34

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Nordock, Inc. v. *Systems Inc.*, 803 F.3d 1344 (Fed. Cir. 2015), petition for cert. pending, No. 15-978 (filed Jan. 28, 2016) 5
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Wal-Mart Stores, Inc. v. *Samara Bros.*, 529 U.S. 205 (2000) 2
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Act of Feb. 4, 1887, ch. 105, 24 Stat. 387 12
§ 1, 24 Stat. 387 12
§ 2, 24 Stat. 388 14
Patent Act of July 8, 1870, ch. 230, § 55, 16 Stat. 206 14
Patent Act of 1952:
35 U.S.C. 2(a)(1) 1
35 U.S.C. 2(b)(8) 1
35 U.S.C. 101 17
35 U.S.C. 112(b) 3
35 U.S.C. 171 ..... 1, 17, 19, 21
35 U.S.C. 171(a) 2
35 U.S.C. 171(b) 2, 3

Statutes and regulation—Continued: Page

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35 U.S.C. 283 14
35 U.S.C. 284 ..... 4, 5, 14
35 U.S.C. 289 ..... *passim*
Rev. Stat. § 4929 (1878) 21
15 U.S.C. 1125(a) 2
17 U.S.C. 504(b) 13
37 C.F.R. 1.153(a) 3

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In the Supreme Court of the United States

No. 15-777

SAMSUNG ELECTRONICS CO., LTD., ET AL., PETITIONERS

v.

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ON WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

BRIEF FOR THE UNITED STATES AS AMICUS CURIAE SUPPORTING NEITHER PARTY

INTEREST OF THE UNITED STATES

This case involves the proper interpretation of 35 U.S.C. 289, which mandates the award of an infringer's "total profit" as a remedy for infringement of a design patent issued pursuant to 35 U.S.C. 171. The United States Patent and Trademark Office (PTO) is responsible for issuing patents and—through the Secretary of Commerce—advising the President on issues of patent policy. See 35 U.S.C. 2(a)(1) and (b)(8). Several other agencies of the federal government also have a strong regulatory interest in the efficacy of the patent system. The United States therefore has a substantial interest in the Court's disposition of this case.

STATEMENT

1. a. Since 1842, the patent laws have authorized the issuance of patents not only for useful inventions,

but also for ornamental designs. *Gorham Co.* v. *White*, 81 U.S. (14 Wall.) 511, 524 (1872). Section 171(a) of Title 35 of the United States Code provides that "[w]hoever invents any new, original and ornamental design for an article of manufacture may obtain a patent therefor, subject to the conditions and requirements of this title." 35 U.S.C. 171(a). A patentable design is "not an abstract impression, or picture," but rather "an aspect given to * * * [an] article of manufacture" that "gives a peculiar or distinctive appearance to the manufacture." *Gorham*, 81 U.S. at 524-525. Design patents thus protect the innovative appearance given to an article of manufacture, "fill[ing] a gap between copyright protection for authors and patent protection for inventors in the mechanical arts."[1] 8 Donald S. Chisum, *Chisum on Patents* § 23.02, at 23-6 (2014) (*Chisum*). "To qualify for protection, a design must present an aesthetically pleasing appearance that is not dictated by function alone, and must satisfy the other criteria of patentability," such as novelty and non-obviousness. *Bonito Boats, Inc.* v. *Thunder Craft Boats, Inc.*, 489 U.S. 141, 148 (1989); see 35 U.S.C. 171(b).

A design patent must contain a single claim stating that the patent claims an "ornamental design" for a particular "article" of manufacture, "as shown" in drawings contained in the specification. PTO, *Manual of Patent Examining Procedure (MPEP)* § 1503.01,

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[1] Design patents are also distinct from trade dress, which protects a distinctive visual appearance of a product as a unique signifier of the source of goods. Design patents protect designs without regard to whether consumers associate a specific design with a particular source of goods. See 15 U.S.C. 1125(a); *Wal-Mart Stores, Inc.* v. *Samara Bros.*, 529 U.S. 205, 214 (2000).

Subsec. III (rev. 9th ed. 2015); see 37 C.F.R. 1.153(a). Subject to the definiteness requirement applicable to all patent applications, 35 U.S.C. 112(b), a design patentee has "substantial latitude" in designating the article to which the design is intended to be applied. *MPEP* § 1503.01.

In defining the scope of the claimed design, the patent applicant may use drawings, figures, or photographs, as well as a written description. In a drawing, the design itself is depicted in solid black lines, while broken lines are used to depict structures that are not part of the claimed design but are necessary to show the design's environment. See *MPEP* § 1503.02. A patented design may be a surface design such as an "ornament, impression, print, or picture," or it may be the "design for a shape or configuration for an article of manufacture." *In re Schnell*, 46 F.2d 203, 209 (C.C.P.A. 1931).

b. A design patent is infringed when a defendant makes, uses, offers to sell, or sells a product containing a design that is substantially similar to the patented design. *Gorham*, 81 U.S. at 528; *Egyptian Goddess, Inc.* v. *Swisa, Inc.*, 543 F.3d 665, 678 (Fed. Cir. 2008) (en banc), cert. denied, 556 U.S. 1167 (2009); see 35 U.S.C. 171(b), 271. In determining whether infringement has occurred, the factfinder focuses on whether the accused article "embod[ies] the patented design or any colorable imitation thereof." See *Egyptian Goddess*, 543 F.3d at 678 (citation omitted; brackets in original).[2]

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[2] "In virtually all the reported cases, the accused article is of the same nature as the patented one." 8 *Chisum* § 23.05[2], at 23-186. If a design were applied to an article different from the one claimed in the patent, the existence of infringement would turn on the nature

If the defendant in a design-patent case is found liable for infringement, the patent holder has a choice of remedies. Section 284, which applies to both utility and design patents, authorizes an award of "damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer." 35 U.S.C. 284. Section 289, the provision at issue in this case, establishes an alternative remedy for infringement of a design patent:

> Whoever during the term of a patent for a design, without license of the owner, (1) applies the patented design, or any colorable imitation thereof, to any article of manufacture for the purpose of sale, or (2) sells or exposes for sale any article of manufacture to which such design or colorable imitation has been applied shall be liable to the owner to the extent of his total profit, but not less than $250, recoverable in any United States district court having jurisdiction of the parties.

35 U.S.C. 289. Section 289 further provides that the availability of this remedy does not "prevent, lessen, or impeach any other remedy which an owner of an

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of the design and the articles in question. If the design involves surface ornamentation, such as a drawing intended to be placed on a watch face, a clock emblazoned with the same design might be infringing. *Id.* at 23-186 n.2. But if the design is for the shape of a particular article, then transposing that design to a different article might result in a "substantial change in the appearance of the design," thereby "avoiding any question of infringement." *Id.* § 23.05[2], at 23-186; see *Kellman* v. *Coca-Cola Co.*, 280 F. Supp. 2d 670 (E.D. Mich. 2003) (no infringement when defendant reproduced a design for the shape of a hat as a two-dimensional picture on t-shirts).

infringed patent has under [the Patent Act], but he shall not twice recover the profit made from the infringement." *Ibid.*; see *Nordock, Inc.* v. *Systems Inc.*, 803 F.3d 1344, 1353 (Fed. Cir. 2015) (a design patentee must choose between damages under Section 284 and profits under Section 289), petition for cert. pending, No. 15-978 (filed Jan. 28, 2016).

2. Petitioners Samsung Electronics Co., Samsung Electronics America, Inc., and Samsung Telecommunications America, LLC (collectively, Samsung) compete with respondent Apple Inc. in the market for smartphones—that is, "cell phone[s] with a broad range of other functions based on advanced computing capability, large storage capacity, and Internet connectivity." *Riley* v. *California*, 134 S. Ct. 2473, 2480 (2014); see Pet. App. 4a-5a. As relevant here, respondent holds three design patents related to its 2007 iPhone. Those patents claim a black rectangular round-cornered front face of a phone; a phone's front face as well as a bezel surrounding the face's rim; and a grid of sixteen colorful icons on a black screen. Pet. App. 19a-20a.

In 2011, respondent sued petitioners for patent infringement, alleging that various Samsung smartphones infringed Apple's design and utility patents and diluted Apple's trade dresses. Pet. App. 4a. After a trial, a jury found, *inter alia*, that petitioners had infringed respondent's design patents. *Id.* at 57a-61a.[3]

Invoking Section 289, respondent sought an award of petitioners' "total profits" from the sale of the in-

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[3] The jury also found dilution of respondent's trade dresses and infringement of its utility patents. Pet. App. 4a. The court of appeals affirmed the utility-patent verdict and damages, and vacated the trade-dress verdict. *Ibid.* Those rulings are not at issue here.

fringing phones. Petitioners asserted two objections to that measure of relief. First, petitioners argued that, under "basic causation principles," they should be liable only for profits attributable to the infringing design, as opposed to other attributes of the phones. Pet. App. 27a, 133a. Second, petitioners argued in their pretrial brief that "profits disgorgement [must] be limited to the 'article of manufacture' to which a patented design is applied," and that the relevant "article[s] of manufacture" in this case were components of the phones, rather than the phones themselves. D. Ct. Doc. No. 1322, at 19 (July 25, 2012) (Pets. Trial Br.). Petitioners submitted proposed jury instructions that embodied those principles, but the district court rejected the proposed instructions on the ground that "there's no apportionment for Samsung profits in design patent cases." J.A. 246.

The district court instructed the jury that "[i]f you find infringement by any Samsung defendant * * * you may award Apple that Samsung Defendant's total profit attributable to the infringing products." Pet. App. 165a. The jury awarded respondent all the profits that petitioners had received on sales of the infringing phones. Pet. 16. After a partial retrial on damages resulting from errors not relevant here, the district court entered a final judgment awarding respondent nearly $1 billion in damages for design-patent infringement and trade-dress dilution. Pet. App. 5a.

3. The Federal Circuit affirmed the jury's finding of design-patent infringement and the award of petitioners' total profit on the infringing phones. Pet. App. 26a-29a. The court first rejected petitioners' argument that the award under Section 289 should

have been limited to profits attributable to the infringement, holding that "the clear statutory language [of Section 289] prevents us from adopting a 'causation' rule." *Id.* at 28a. The court next rejected petitioners' argument that, for purposes of calculating the appropriate award under Section 289, the infringing "article[s] of manufacture" were the phones' exterior shells and the array of icons displayed on the phones' screens rather than the phones as sold to the public. *Id.* at 29a. The court concluded that "[t]he innards of [petitioners'] smartphones were not sold separately from their shells as distinct articles of manufacture to ordinary purchasers," and that respondent was therefore entitled to petitioners' entire profits from the infringing phones. *Ibid.*

SUMMARY OF ARGUMENT

I. Section 289 states that a person who applies a patented design "to any article of manufacture for the purpose of sale," or who sells "any article of manufacture to which" the patented design has been applied, "shall be liable to the [patent] owner to the extent of his total profit." 35 U.S.C. 289. That language unambiguously permits a patent holder to recover the infringer's entire profits from the "article of manufacture" to which the design was applied, regardless of the extent to which those profits are attributable to the infringing design. The history of Section 289's development confirms that understanding.

II. Although Section 289 entitles the patent holder to recover the infringer's "total profit" on the "article of manufacture" to which the design was applied, that "article of manufacture" will not always be the finished product that is sold in commerce. Rather, the relevant article will sometimes be a component of the

ultimate item of sale. In such cases, the patentee is entitled only to the infringer's total profit for that component, not its total profit for the finished item.

A. Section 289's text and history establish that an "article of manufacture" may be a component of a product as sold. During the late nineteenth and early twentieth centuries, the Patent Office and the courts construed the term "article of manufacture," as used in Section 289's predecessor, to include components that were intended to be sold and used only as parts of a larger product. Congress should be understood to have adopted that construction when it reenacted the "total profit" remedy as Section 289 in the Patent Act of 1952. 35 U.S.C. 289.

The Federal Circuit's contrary approach, under which the relevant "article of manufacture" is invariably the entire product as sold, would result in grossly excessive and essentially arbitrary awards. Under that approach, when the plaintiff's patented design is applied to a component of a multi-component product, the award will turn substantially on the scope and profitability of *other* components as to which no infringement occurred. To be sure, Section 289's "total profit" standard, which precludes any inquiry into what portion of the profits on a particular "article of manufacture" are attributable to the infringing design, may sometimes produce awards that exceed the commercial benefit that the infringer derived by appropriating the patented design. But there is no reason to exacerbate those effects, which follow inevitably from the unambiguous statutory text, by adopting an overbroad reading of the term "article of manufacture."

B. Identifying the relevant "article of manufacture" entails a case-specific analysis of the relationship among the design, the product, and any components. The factfinder should identify the article in which the design prominently features, and that most fairly may be said to embody the defendant's appropriation of the plaintiff's innovation. Relevant considerations include the scope of the claimed design, the extent to which the design determines the appearance of the product as a whole, the existence of unrelated, conceptually distinct elements in the product, the extent to which various components can be physically separated from the product as a whole, and the manner in which the components were manufactured. While the plaintiff bears the ultimate burden of establishing the infringer's total profit, the defendant, as the manufacturer or seller of the product in question, should bear the burden of identifying any component that it views as the relevant article of manufacture.

C. This Court should remand the case to allow the courts below to determine whether a new trial is warranted. Although the district court's jury instructions equated the term "article of manufacture" with the finished smartphones, it is unclear whether petitioners produced evidence supporting their assertions that components of the phones should be considered the relevant articles of manufacture. The lower courts should be permitted to make that determination in the first instance.

ARGUMENT

Under Section 289, whoever "applies [a] patented design, or any colorable imitation thereof, to any article of manufacture for the purpose of sale * * * shall be liable to the owner to the extent of his total profit."

35 U.S.C. 289. This case presents the question whether, when an infringing design is embodied in a multi-component product, the "total profit" awarded may ever be less than the infringer's total profit on the complete product as it was sold to end-users. The answer to that question is yes.

Once the relevant "article of manufacture" has been identified, Section 289 renders the infringer liable for *all* its profits *for that article*; the court or jury may not award a lower amount on the theory that only a portion of those profits are attributable to the patented design. Contrary to the Federal Circuit's apparent conclusion, however, the relevant "article of manufacture" need not always be the finished product as sold to end-users. Where the relevant "article of manufacture" is a component or portion of a multi-component product, the infringer's "total profit" for that "article" may be less than its profit for the finished item of sale.

I. SECTION 289 AUTHORIZES A PATENT OWNER TO RECOVER AN INFRINGER'S TOTAL PROFIT FROM AN INFRINGING ARTICLE OF MANUFACTURE

Section 289 establishes a disgorgement remedy in cases where an infringer has sold an "article of manufacture" to which a patented design has been applied. As we explain below (see pp. 16-31, *infra*), the relevant "article of manufacture" will sometimes be the entire product as sold in commerce, but it will sometimes be only a component or portion of that product. Once the relevant "article of manufacture" has been identified, however, Section 289 makes the infringer liable for *all* the profits it received from sales of that article, even if the article's other attributes contributed to those profits.

A. Section 289 Does Not Permit Apportionment Based On The Extent To Which The Infringer's Profit On The Relevant "Article Of Manufacture" Was Attributable To The Infringing Design

1. Section 289 provides that whoever "applies the patented design * * * to any article of manufacture for the purpose of sale," or "sells or exposes for sale any article of manufacture to which such design" has been applied, "shall be liable to the owner to the extent of his total profit." 35 U.S.C. 289. The phrase "total profit" is not ambiguous: "total" means the "entirety." *The American Heritage Dictionary* 1892 (3d ed. 1992); 11 *The Oxford English Dictionary* 176 (1st ed. 1933) (defining "total" as "whole, entire"). The source of the "total profit" to which the patent holder is entitled is equally clear. The conduct that triggers liability under Section 289 is (1) applying a patented design to an "article of manufacture for the purpose of sale," or (2) selling an article to which the design has been applied. The "total profit" for which the seller of infringing goods is liable is therefore the total profit from the sale of the article of manufacture to which the design has been applied.

2. The historical development of Section 289 and its statutory predecessors confirms that understanding. Section 289's "total profit" standard reflects Congress's rejection of a series of decisions in which this Court had held that a design patentee was entitled to recoup only those profits that were "attributable to the use of the infringing design" itself. *Dobson* v. *Dornan*, 118 U.S. 10, 17 (1886); see *Dobson* v. *Hartford Carpet Co.*, 114 U.S. 439, 444 (1885) (*Dobson I*). The defendants in the *Dobson* cases had sold carpets with infringing designs. The Court held that the de-

fendants were liable for only nominal damages because the patentees were unable to establish the portion of their lost profits that was attributable to the patented design, as opposed to the unpatented aspects of the carpet. *Dobson I*, 114 U.S. at 444.

In response, Congress enacted a "new rule of recovery for design patents." S. Rep. No. 206, 49th Cong., 1st Sess. 2 (1886). The Act of February 4, 1887 (1887 Act), ch. 105, 24 Stat. 387, provided that any person who applied a patented design "to any article of manufacture for the purpose of sale" would be "liable in the amount of two hundred and fifty dollars," and if the "total profit made by him * * * exceeds the sum of two hundred and fifty dollars, he shall be further liable for the excess of such profit." § 1, 24 Stat. 387. The House Report explained that the new provision would abrogate the *Dobson* decisions and would permit the patentee to recover the "infringer's entire profit on the article." H.R. Rep. No. 1966, 49th Cong., 1st Sess. 3 (1886) (*House Report*); see *id.* at 1-2 (discussing *Dobson I*). Congress deemed that change necessary and appropriate because, although the design of an article like a carpet "sells the article," *id.* at 3, patentees would find it difficult to establish the portion of an infringer's profit that was "directly due to the *appearance* of those articles as distinguished from their material, their fabric, [and] their utility," *id.* at 2. Accordingly, in the ensuing decades, courts understood the 1887 Act's "manifest purpose" to be "to declare that the measure of profits recoverable on account of the infringement should be considered to be the total net profits upon the whole article." *Untermeyer* v. *Freund*, 58 F. 205, 212 (2d Cir. 1893);

Bush & Lane Piano Co. v. *Becker Bros.*, 234 F. 79, 83 (2d Cir. 1916) (*Piano II*).

In 1952, when Congress reenacted the "total profit" standard in Section 289, it did not materially alter the statutory text or suggest any disagreement with the settled understanding of that language.[4] See *Patent Law Codification and Revision: Hearings on H.R. 3760 Before Subcomm. No. 3 of the Comm. on the Judiciary*, 82d Cong., 1st Sess. 109-110 (1951) (statement of P.J. Federico, U.S. Patent Office) (explaining that a materially similar draft of the statute "merely puts [the design-patent provisions] in [their] place without attempting to make any changes in the statute"); accord P.J. Federico, *Commentary on the New Patent Act*, 75 J. Pat. & Trademark Off. Soc'y 161, 202-203 (1993). The Federal Circuit has accordingly recognized that Section 289, like its predecessor, entitles a design-patent owner to an infringer's entire profits from the sale of the infringing article of manufacture. See, *e.g.*, *Nike, Inc.* v. *Wal-Mart Stores, Inc.*, 138 F.3d 1437, 1441 (1998), cert. denied, 528 U.S. 946 (1999).[5]

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[4] While the 1887 Act was limited to knowing infringement, Congress omitted the knowledge requirement in Section 289. 35 U.S.C. 289.

[5] Section 289's "total profit" measure of recovery is unique in intellectual property law. In copyright and trademark cases, the plaintiff is entitled to recover the infringer's profits only to the extent they are attributable to the infringement. 17 U.S.C. 504(b); *WMS Gaming Inc.* v. *WPC Prods. Ltd.*, 542 F.3d 601, 607 (7th Cir. 2008). In utility-patent cases, the Patent Act does not permit the recovery of an infringer's profits. The patent laws previously authorized that remedy, however, and the Court construed the relevant provision to encompass only those profits attributable to

B. Petitioners Identify No Sound Basis For Construing Section 289 To Allow An Award Of Less Than the Infringer's Total Profit From The Relevant Article Of Manufacture

Petitioners contend (Br. 34) that "recoverable profits under Section 289 are limited to those attributable to infringement of the patented design." That argument is unpersuasive.

1. Petitioners rely primarily on Section 289's second paragraph, which states that "[n]othing in this section shall prevent, lessen, or impeach any other remedy which an owner of an infringed patent has under the provisions of this title, but *he shall not twice recover the profit made from the infringement.*" 35 U.S.C. 289 (emphasis added); see 1887 Act § 2, 24 Stat. 388 (similar). That language clarifies that, while Section 289 supplements the generally applicable remedies authorized by other Patent Act provisions, it does not permit the patentee to combine those remedies to obtain a double recovery. A design patentee (like a utility patentee) may seek an injunction, 35 U.S.C. 283, or "damages adequate to compensate for the infringement, but in no event less than a reasonable royalty," 35 U.S.C. 284. Section 289's second paragraph accordingly specifies that, if the patentee obtains the infringer's profits under Section 289, it may not recover additional monetary damages under Section 284 for the same acts of infringement. See *Catalina Lighting, Inc.* v. *Lamps Plus, Inc.*, 295 F.3d 1277, 1291 (Fed. Cir. 2002).

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the infringement. Patent Act of July 8, 1870, ch. 230, § 55, 16 Stat. 206; see *Tilghman* v. *Proctor*, 125 U.S. 136, 146 (1888).

In petitioners' view, the second paragraph's reference to "profit made from the infringement" has the additional function of implicitly limiting the "total profit" recoverable under Section 289 to profit attributable to the infringing design. Br. 34. That construction should be rejected because it places the two paragraphs of Section 289 at cross-purposes with each other. Congress enacted the "total profit" standard now contained in Section 289's first paragraph to relieve the patentee of the burden of demonstrating the portion of the infringer's profit that is attributable to the infringement. See p. 12, *supra*.

2. Petitioners also rely (Br. 35-39) on "traditional principles of causation and equity," arguing that Section 289 is not sufficiently clear to abrogate the common-law rule that "compensation is limited to 'the injury *caused* to plaintiff by defendant's breach of duty.'" Br. 36 (quoting *Carey* v. *Piphus*, 435 U.S. 247, 254-255 (1978)). Petitioner's reliance on those background principles is misplaced. The whole point of the "total profit" standard is to provide a measure of recovery different from, and in many cases more expansive than, the award that traditional causation principles would produce. To be sure, in cases where the relevant "article of manufacture" is not sold separately but is instead a component of a larger product, identifying the infringer's profit on that article may require an inquiry that is functionally similar to a traditional causation analysis. There is nevertheless a significant conceptual and practical difference between the profit attributable to the infringing *article* and the profit attributable to the *infringement*.

II. TO CALCULATE THE TOTAL PROFIT DUE UNDER SECTION 289, THE FACTFINDER MUST IDENTIFY THE "ARTICLE OF MANUFACTURE" TO WHICH THE INFRINGING DESIGN HAS BEEN APPLIED, AND THAT ARTICLE WILL NOT ALWAYS BE THE FINISHED PRODUCT SOLD TO END-USERS

To calculate the "total profit" for which the infringer is liable, the factfinder must first identify the "article of manufacture" to which the patented design has been applied. 35 U.S.C. 289. The court below appears to have assumed that the relevant "article of manufacture" is necessarily the final product as sold in commerce. Pet. App. 29a. That is incorrect.

When Congress first adopted the "total profit" standard, it was responding to concerns raised about a specific set of products—carpets, wallpaper, and the like—that are composed of a single component. *House Report* 3; see pp. 11-12, *supra*. When an infringing design is applied to that sort of product, there is only one possible "article of manufacture"—the complete product as sold to end-users. But nothing in Section 289's text or history suggests that the relevant "article of manufacture" must invariably be the product as sold. To the contrary, the term "article of manufacture" literally encompasses all manufactured objects—both complete products and components—and it has historically been understood to include both. When the product whose sale gives rise to infringement liability is made up of multiple components, the factfinder must determine whether the "article of manufacture" to which the defendant has applied the patented design is the entire product as sold, or a component of that product.

A. The Relevant "Article Of Manufacture" For Purposes Of Section 289 May Be A Component Of A Multi-Component Product

1. The term "article of manufacture" is broad enough to include components of a complete product

The term "manufacture" broadly includes "[a]ny useful product made directly by human labor, or by the aid of machinery directed and controlled by human power." *Black's Law Dictionary* 751 (1st ed. 1891); accord *Black's Law Dictionary* 1109 (10th ed. 2014). The phrase "article of" denotes an example of a category of things: "[s]omething considered by itself and as apart from other things of the same kind or from the whole of which it forms a part; also, a thing of a particular class or kind." *Webster's New International Dictionary of the English Language* 131 (W.T. Harris ed., 1917) (example: "an *article* of merchandise"); accord 1 James A.H. Murray, *A New English Dictionary* 471 (1888). The phrase "article of manufacture" therefore encompasses any item that is made by human labor, including manufactured items that are not sold as separate commodities but instead function as components of a larger product.

That conclusion is reinforced by the construction given to the identical phrase in Section 171, which authorizes the PTO to issue patents on designs for "article[s] of manufacture." 35 U.S.C. 171. That provision, in turn, echoes Section 101, which provides that an inventor may obtain a utility patent on any "new and useful * * * manufacture." 35 U.S.C. 101. Courts have long understood Section 171's reference to an "article of manufacture" to include any article that would fall within the definition of "manufacture" under Section 101. See *In re Hruby*, 373 F.2d 997,

1000 (C.C.P.A. 1967); *In re Hadden*, 20 F.2d 275, 276 (D.C. Cir. 1927); 8 *Chisum* § 23.03[2], at 23-12 to 23-13. And this Court has construed the term "manufacture," as used in Section 101, broadly to include "anything made for use from raw or prepared materials." *American Fruit Growers, Inc.* v. *Brogdex Co.*, 283 U.S. 1, 11 (1931) (citation omitted); see *Johnson* v. *Johnston*, 60 F. 618, 620 (C.C.W.D. Pa. 1894). As a leading treatise explained in 1890, the term "manufacture" is "comprehensive" enough to encompass "the parts of a machine considered separately from the machine itself, all kinds of tools and fabrics, and every other vendible substance which is neither a complete machine nor produced by the mere union of ingredients." 1 William C. Robinson, *The Law of Patents for Useful Inventions* § 183, at 270 (1890).

2. Section 289 does not limit the types of articles that may qualify as the relevant "article of manufacture"

Although Section 289 refers to the "sale" of an "article of manufacture," it does not suggest that the article must always be the entire product as sold. The relevant "article of manufacture" under Section 289 is one to which the patented design has been "applied," *i.e.*, one in or on which the design is embodied or displayed. See *Gorham Co.* v. *White*, 81 U.S. (14 Wall.) 511, 524-525 (1872). With respect to some multi-component products, the finished product as sold in commerce is most naturally viewed as the article to which the patented design is "applied." That will be so if the "peculiar or distinctive appearance" (*id.* at 525) that constitutes the design predominates when viewing all the components in combination. In other cases, however, it is more natural to say that the de-

sign has been applied to a single component, or to a set of components that together are only a portion of the product as sold.

Section 289 states that an infringer who applies a patented design to an "article of manufacture for the purpose of sale," or who "sells * * * any article of manufacture" to which the patented design has been applied, is liable for his total profit. 35 U.S.C. 289. Because the award of profits is premised on the "sale" of the "article of manufacture," the relevant "article" must be capable of being sold. But if a particular component is otherwise naturally characterized as the "article of manufacture" to which the patented design has been applied, the sale of the complete product in commerce is properly viewed as a sale of the component as well, since title to the component is transferred as an incident of the larger sale.

3. The judicial and administrative understanding of the term "article of manufacture" has long included components of products

In the decades preceding Congress's enactment of Section 289 in the Patent Act of 1952, the courts and the Patent Office construed the term "article of manufacture," as used in the statutory predecessors to Sections 289 and 171, to include components of larger products. Congress should be understood to have adopted that prevailing interpretation when it reenacted the "total profit" remedy in Section 289.

a. In the early twentieth century, courts of appeals occasionally addressed the proper measure of profits under the 1887 Act when the defendant applied an infringing design to a multi-component product. Those courts recognized that the phrase "article of manufacture" included manufactured articles that functioned

as components of a product, and that determining the relevant "article" for purposes of calculating profits involved a case-specific inquiry.

In 1915 and 1916, the Second Circuit held, in a pair of cases known as the *Piano Cases*, that a piano case—*i.e.*, the outer body of a piano, which gives the piano its shape and houses its strings and hammers—that was "sold with and as part of a piano" was the relevant "article of manufacture" for purposes of calculating profits. *Piano II*, 234 F. at 81; see *Bush & Lane Piano Co.* v. *Becker Bros.*, 222 F. 902 (1915) (*Piano I*). The defendant had sold pianos embodying the plaintiff's ornamental design for a piano case, and the district court awarded the "profits on the piano proper." *Piano I*, 222 F. at 904. In reversing that decision, the court explained that it was necessary to determine "the article to which the design was applied" by examining "the relation to the business whole of the part embodying the patent * * * from all viewpoints, technical, mechanical, popular, and commercial." *Piano II*, 234 F. at 81 (internal quotation marks omitted).

Applying that framework to the evidence before it, the Second Circuit concluded that the "article to which the patented design had been applied was the piano case." *Piano II*, 234 F. at 82. The court acknowledged that there was no "separate market" for the piano case standing alone, divorced from the piano mechanism. *Id.* at 83. It found, however, that the piano case was a distinct "article of manufacture" because the patentee's innovation did not extend to the piano's mechanism, which served a function distinct from that of the case. *Id.* at 81-82. Drawing an analogy to a "patent for a 'book binding' * * * manu-

factured with and for [a single] book," the court explained that, although the binding would have "no separate commercial existence" apart from the literary work embodied in the book, it would be absurd to award the patentee of the binding all profits from sales of the book. *Ibid.*

Similarly in *Young* v. *Grand Rapids Refrigerator Co.*, 268 F. 966 (1920), the Sixth Circuit held that the relevant "article of manufacture" was a door latch sold as part of a refrigerator. *Id.* at 973-974. The plaintiff held a patent on a design for the latch, and the defendant sold refrigerators containing a latch that infringed the design. While acknowledging that the refrigerator containing the latch was "sold" as a "unitary article," the court stated that "it is not seriously contended that all the profits from the refrigerator belonged to [the plaintiff]." *Id.* at 974.

b. Both before and after the enactment of the 1887 Act, the Patent Office and the courts understood the term "article of manufacture," as used in the Patent Act's provisions governing the issuance of design patents, to permit the issuance of a patent on a component of a product, even when that component would not be sold separately. See Rev. Stat. § 4929 (1878) (authorizing the Patent Office to issue a design patent for any "original design" for an "article of manufacture"); 35 U.S.C. 171.

During the nineteenth and early twentieth centuries, the Patent Office did not issue design patents on products with parts that a user would ordinarily detach or move, on the ground that the composite product would not embody a single, unitary appearance that could be patented as a design. See *Ex parte Adams*, 84 Off. Gaz. Pat. Office 311, 311 (1898). The

Office repeatedly emphasized, however, that an inventor could obtain a design patent on a component part of such a product, regardless of whether that component could be sold or used separately. The Office thus treated the component itself as an "article of manufacture" that could be the subject of a design patent. See *ibid.* ("The several articles of manufacture of peculiar shape which when combined produce a machine or structure having movable parts may each separately be patented as a design."). The Patent Office opined on that basis that an inventor could obtain a design patent on designs for one "member or jaw of a pair of tongs," *Ex parte Kapp*, 83 Off. Gaz. Pat. Office 1993, 1994 (1898); a glass bottle stopper designed to be used with a particular inkstand, *Ex Parte Brower*, 4 Off. Gaz. Pat. Office 450, 450 (1873); and each of two castings "adapted to interlock and form a joint" in a bedstead, *Ex Parte Brand*, 83 Off. Gaz. Pat. Office 747, 748 (1897).

Courts took the same view. In *Pullman Couch Co.* v. *Union*, 39 U.S.P.Q. 100 (D. Md. 1938), the district court held that a furniture post that "is not sold, and can not profitably be sold" separately from the complete sofa, was nonetheless a "separate article" of manufacture because it was manufactured independently of the rest of the sofa. *Id.* at 104; see *Simpson* v. *Davis*, 12 F. 144, 145-146 (E.D.N.Y. 1882) (stating in dicta that a cap of a railing post was likely a "distinct article" because it was manufactured by itself, even though it was "never used except in connection with other parts" of the post).

c. "Congress is presumed to be aware of an administrative or judicial interpretation of a statute and to adopt that interpretation when it re-enacts a statute

without change." *Forest Grove Sch. Dist.* v. *T.A.*, 557 U.S. 230, 239-240 (2009) (quoting *Lorillard* v. *Pons*, 434 U.S. 575, 580 (1978)). Although questions concerning what product or portion of a product should be considered the relevant "article of manufacture" did not arise frequently in the decades preceding the passage of the Patent Act of 1952, courts and the Patent Office consistently recognized that items sold only as part of a larger product could count as "article[s] of manufacture." Congress should be understood to have adopted that construction in reenacting the "total profit" remedy as Section 289 in the Patent Act of 1952.

4. Treating the complete product as the relevant "article of manufacture" in every case would often produce greatly disproportionate infringement liability

The Federal Circuit concluded that respondent was entitled to recover petitioners' entire profits from their sales of infringing smartphones because "[t]he innards of [petitioners'] smartphones were not sold separately from their shells as distinct articles of manufacture to ordinary purchasers." Pet. App. 29a. The court thus appeared to adopt a categorical rule that the relevant "article of manufacture" under Section 289 is always the finished product sold to end-users. That construction of Section 289 will often generate grossly disproportionate awards. Because the term "article of manufacture" is readily susceptible of a narrower construction, the Federal Circuit's approach should be rejected.

From a potential defendant's perspective, the consequences of the Federal Circuit's rule could be draconian. That rule would mandate an award of total

profit on the finished product even if the patented design appears only on a single component that represents a small fraction of the innovation reflected in the sold product and of that product's overall commercial appeal. That measure of total profit (*e.g.*, on sales of refrigerators) will often bear no meaningful relationship to the gain the defendant has realized by appropriating a patented design (*e.g.*, on a latch). And because patent infringement is a strict-liability tort, a manufacturer could suffer that consequence even if it did not deliberately copy the patented design.

In addition, many complex technological products have multiple components that could implicate distinct patented designs. If a single finished product infringed multiple design patents, the Federal Circuit's approach could allow each patentee to seek an award of the total profits on the product. That concern is exacerbated by the possibility that patent-assertion entities could use the threat of an award of profits on the whole product "as a sword" to extract settlements, "even when their claims are frivolous." *Commil USA, LLC* v. *Cisco Sys., Inc.*, 135 S. Ct. 1920, 1930 (2015); see Giuseppe Macri, *Patent Trolls Are Already Abusing the Apple v. Samsung Ruling*, InsideSources (Oct. 1, 2015), http://www.insidesources.com/patent-trolls-are-already-abusing-the-apple-v-samsung-ruling/.

To be sure, even in cases involving unitary (*i.e.*, single-component) items of sale, Section 289's "total profit" standard may sometimes produce awards that are disproportionate to the commercial significance of the patented design. Congress adopted the "total profit" standard in the 1887 Act out of concern that, even when a patented design in fact drives the demand for a particular unitary article, the potential

difficulty of proving the profits attributable to the design may unfairly deprive the patentee of any meaningful recovery. *House Report* 3. But while Congress acted to prevent under-compensation of design patentees, Section 289's "total profit" standard has an evident potential to over-compensate plaintiffs in some cases. Where the relevant "article of manufacture" is the finished product as sold in commerce, Section 289 does not permit the infringer to show that some or most of its profit is attributable to aspects of the product (*e.g.*, the quality of the materials used to create it, or the skill with which it is manufactured) other than the patented design. See pp. 11-15, *supra*.

The risk of disproportionate awards would be reduced still further if Section 289 allowed such inquiries in unitary-article cases. But Congress's decision to foreclose apportionment of profits in that circumstance provides no legal or logical basis for requiring infringers to disgorge their entire profits on sales of multi-component products simply because a single component incorporated a patented design. The practical harms wrought by the Federal Circuit's interpretation are likely to be much more extreme than any that may occur in unitary-article cases, and the text of Section 289 provides a sound basis for distinguishing between the two situations.

B. Identifying The Relevant "Article Of Manufacture" Is A Task For the Finder Of Fact Under The Totality Of The Circumstances

1. a. Calculating the award of total profit under Section 289 requires the factfinder to identify the "article of manufacture" to which the patented design has been applied. 35 U.S.C. 289. A patentable design is one that "gives a peculiar or distinctive appearance

to the manufacture, or article to which it may be applied." *Gorham*, 81 U.S. at 525. In some cases it will be clear that the patented design "gives a peculiar or distinctive appearance" only to a component (*e.g.*, a refrigerator latch) of a larger product sold in commerce, rather than to the product as a whole. There will sometimes be legitimate doubt, however, whether a patented design is best viewed as affecting the appearance of the sold product as a whole or only the appearance of a component or other portion of that product. If the design in question is the shape of the Volkswagen Beetle, for example, one might reasonably say either that the design determines the appearance of the automobile's body or that it determines the appearance of the car as a whole.

In conducting this inquiry, the factfinder's overarching objective should be to identify the article that most fairly may be said to embody the defendant's appropriation of the plaintiff's innovation. That framework anchors the inquiry in Section 289's purpose, which is to provide the patentee with a remedy for (and to prevent the infringer from profiting from) the unlawful appropriation. In determining whether the relevant article is the entire product or a component, the factfinder therefore should keep in mind the scope of the plaintiff's innovation and should identify the article in which the patented design prominently features, without unnecessarily sweeping in aspects of the product that are unrelated to that design.

That approach is not inconsistent with Section 289's elimination of the requirement that the patentee demonstrate that the profits in question are attributable to the infringement. In Section 289, Congress deviated from that general rule of causation because it

was concerned that applying that principle to design patents would often under-compensate patentees. See pp. 12, 24-25, *supra*. Congress did not render the infringer liable for its total profit on the final sold product, however, but only for its total profit on the "article of manufacture" to which the patented design was wrongfully applied. In cases where the identity of the relevant "article of manufacture" is otherwise open to reasonable dispute, the factfinder may legitimately consider which characterization would appropriately compensate (rather than over-compensate) the patentee for the contribution of the patented design to the value of the infringer's finished product. See, *e.g.*, *Sheldon* v. *Metro-Goldwyn Pictures Corp.*, 309 U.S. 390, 402-408 (1940) (discussing principles applied by equity courts in awarding profits for patent and copyright infringement). When a product is composed of distinct components, choosing the article that most fairly embodies the plaintiff's invention will help to ensure that "neither party will have what justly belongs to the other." *Id.* at 408.

b. The "article of manufacture" inquiry entails a case-specific examination of the relationship among the design, any relevant components, and the product as a whole. See *Piano II*, 234 F. at 81. Several considerations are relevant to the inquiry.

First, the scope of the design claimed in the plaintiff's patent, including the drawing and written description, provides insight into which portions of the underlying product the design is intended to cover, and how the design relates to the product as a whole.[6]

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[6] In an infringement suit, the court determines the proper construction of the patent claims, and the jury determines, based on the court's construction, whether the defendant has infringed the

See, *e.g.*, *Piano I*, 222 F. at 903-904; *Grand Rapids Refrigerator*, 268 F. at 974. In addition, the patent identifies the article of manufacture that the patentee views as the article to which the design is applied. *MPEP* § 1503.01. In some cases, the patent will indicate that the design is intended to be applied to a component of the product. See *Piano I*, 222 F. at 904 (relying on fact that inventor "received a patent for a 'piano case' and not for a piano"). But the factfinder should not treat the patent's designation of the article as conclusive. The inventor of a piano-case design, for instance, should not be able to obtain profits on the piano as a whole simply by characterizing his invention as an "ornamental design for a piano."

Second, the factfinder should examine the relative prominence of the design within the product as a whole. If the design is a minor component of the product, like a latch on a refrigerator, or if the product has many other components unaffected by the design, that fact suggests that the "article" should be the component embodying the design. Conversely, if the design is a significant attribute of the entire product, affecting the appearance of the product as a whole, that fact might suggest that the "article" should be the product.

Third, and relatedly, the factfinder should consider whether the design is conceptually distinct from the product as a whole. As the Second Circuit explained

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patent. See *Egyptian Goddess, Inc.* v. *Swisa, Inc.*, 543 F.3d 665, 679 (Fed. Cir. 2008) (en banc), cert. denied, 556 U.S. 1167 (2009); see also *Markman* v. *Westview Instruments, Inc.*, 517 U.S. 370, 372 (1996). In identifying the relevant "article of manufacture" under Section 289, the jury can similarly take into account the court's construction of the claims.

in *Piano II*, a book binding and the literary work contained within it "respond to different concepts; they are different articles." 234 F. at 82. If the product contains other components that embody conceptually distinct innovations, it may be appropriate to conclude that a component is the relevant article.

Fourth, the physical relationship between the patented design and the rest of the product may reveal that the design adheres only to a component of the product. If the design pertains to a component that a user or seller can physically separate from the product as a whole, that fact suggests that the design has been applied to the component alone rather than to the complete product. See, *e.g.*, *Piano I*, 222 F. at 904; *Brand*, 83 Off. Gaz. Pat. Office at 748. The same is true if the design is embodied in a component that is manufactured separately from the rest of the product, or if the component can be sold separately (for instance, for replacement purposes). See, *e.g.*, *Piano II*, 234 F. at 81.

2. The task of identifying the relevant article of manufacture is properly assigned to the finder of fact. Context-specific judgments about the relationship of the design to the article as a whole—the design's effect on the product's appearance, the components' physical separability, how the components are manufactured—are quintessentially factual in nature. Cf. *Graver Tank & Mfg. Co.* v. *Linde Air Prods. Co.*, 339 U.S. 605, 609 (1950) (application of doctrine of equivalents in the utility-patent context is a question of fact because it involves consideration of the "purpose for which an ingredient is used in a patent, the qualities it has when combined with the other ingredients, and the function which it is intended to perform"); see

Hana Fin., Inc. v. *Hana Bank*, 135 S. Ct. 907, 910-911 (2015) (holding that whether two trademarks "create the same, continuing commercial impression so that consumers consider both as the same mark" is a question for the jury) (quotation marks omitted).

Under established law, the question whether a design patent has been infringed is one for the jury. See *Egyptian Goddess, Inc.* v. *Swisa, Inc.*, 543 F.3d 665, 680-683 (Fed. Cir. 2008) (en banc), cert. denied, 556 U.S. 1167 (2009); *Amini Innovation Corp.* v. *Anthony Cal., Inc.*, 439 F.3d 1365, 1371-1372 (Fed. Cir. 2006). In making that determination, the jury must compare two designs to decide whether "in the eye of an ordinary observer, giving such attention as a purchaser usually gives, * * * the resemblance is such as to deceive such an observer, inducing him to purchase one supposing it to be the other." *Gorham*, 81 U.S. at 528. Treating the identification of the relevant "article of manufacture" as a jury question is consistent with the jury's role in determining design-patent infringement, and with this Court's longstanding recognition "across a variety of doctrinal contexts that, when the relevant question is how an ordinary person or community would make an assessment, the jury is generally the decisionmaker that ought to provide the fact-intensive answer." *Hana Fin.*, 135 S. Ct. at 911.

3. The defendant should bear the burden of producing evidence that the relevant "article of manufacture" in a particular case is a portion of an entire product as sold. The plaintiff bears the ultimate burden of establishing the amount of the defendant's total profit. See *SmithKline Diagnostics, Inc.* v. *Helena Labs. Corp.*, 926 F.2d 1161, 1164 (Fed. Cir. 1991); cf.

Horvath v. *McCord Radiator & Mfg. Co.*, 100 F.2d 326, 330 (6th Cir. 1938), cert. denied, 308 U.S. 581 (1939). But once the plaintiff has shown that the defendant profited by exploiting a product containing the plaintiff's patented design, the defendant should be required to identify, through the introduction of admissible evidence, the component that the defendant asserts is the article to which the design was applied. Cf. *SEC* v. *Teo*, 746 F.3d 90, 112 (3d Cir.) (once government establishes existence of tainted profits, defendant has burden of production to identify untainted portions), cert. denied, 135 S. Ct. 675 (2014). The defendant, as the manufacturer or seller of the accused product, has superior knowledge of the identity of the product's components, as well as of some of the factors relevant to the "article" determination, including the physical relationship between the design and the product; the manner in which the product is manufactured; and the extent to which the product reflects the innovations of parties other than the plaintiff. See *Alaska Dep't of Envtl. Conservation* v. *EPA*, 540 U.S. 461, 494 n.17 (2004) (placement of burden of production may turn on which party has "peculiar means of knowledge" of the facts in question) (citation omitted); accord *Medtronic, Inc.* v. *Mirowski Family Ventures, LLC*, 134 S. Ct. 843, 851 (2014).

C. The Court Should Remand This Case For Further Proceedings

In this case, the district court instructed the jury that, "[i]f you find infringement[,] * * * you may award Apple [the] total profit attributable to the infringing products." Pet. App. 165a. That instruction equated the relevant "article of manufacture" with the accused phones as a whole, rather than permitting the

jury to determine whether the phone itself or some portion thereof was the "article of manufacture" to which the patented design had been applied. Petitioners contend (Br. 58) that a new damages trial is therefore necessary. It is unclear, however, whether petitioners presented evidence at trial to support their assertion that the relevant articles of manufacture were components of the phones. The Court should therefore remand this case to allow the lower courts to determine whether a new trial is warranted.

In the district court, petitioners contended that under the *Piano Cases*, the "outer case of a functional product" is a separate "article of manufacture." Pets. Trial Br. 21. Petitioners accordingly asked the court to instruct the jury that "[t]he article to which Apple's design was applied may be the same as or different from Samsung's devices as sold," and that "[w]here the article of manufacture is a case or external housing of the device, then only the profits from the sale of the case or external housing of the device should be awarded." J.A. 207. It is not clear, however, whether petitioners satisfied their burden of producing evidence to support their arguments.

In their brief in this Court (Br. 54-56), petitioners rely primarily on testimony that respondent's patented designs extended only to aspects of the phones' physical appearance, rather than to the entire external design of the phones. Petitioners also observe (Br. 1) that the phones contain many components—such as the technology governing their functions—that are unrelated to the infringing designs.[7] Petitioners have

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[7] While petitioners were precluded from presenting certain evidence (Pets. Br. 20), that evidence appears to have related primari-

not, however, identified record evidence or argument concerning other factors, such as the extent to which users or sellers can physically separate the relevant components from the other parts of the phones, the manner in which the components were manufactured, and the extent to which the designs effectively determined the entire appearance of the phones.[8] See pp. 27-29, *supra*. Rather than examine the trial record to determine whether petitioners presented sufficient evidence to support their proposed jury instruction, the Court should remand this case to permit the lower courts to determine whether a new trial is warranted.

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ly to apportioning the profits attributable to the infringement. See J.A. 25-55, 67-85.

[8] It is also unclear whether petitioners argued below, as they do in this Court (Br. 55-56), that the design for the grid of colorful icons was applied to "the display screen that sits beneath a smartphone's glass front face." Petitioners' trial brief and proposed jury instructions discussed only the two designs relating to the external casing of the phones, and did not separately discuss the article to which the icon grid was applied. Pets. Trial Br. 19-22.

CONCLUSION

The judgment of the court of appeals should be vacated and the case remanded for further proceedings.

Respectfully submitted.

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IN THE

Supreme Court of the United States

SAMSUNG ELECTRONICS CO., LTD., SAMSUNG ELECTRONICS AMERICA, INC., SAMSUNG TELECOMMUNICATIONS AMERICA, LLC

Petitioners,

v.

APPLE INC.,

Respondent.

On Writ of Certiorari to the United States Court of Appeals For The Federal Circuit

BRIEF OF ACT | THE APP ASSOCIATION AS AMICUS CURIAE IN SUPPORT OF RESPONDENT

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TABLE OF CONTENTS

Page

TABLE OF AUTHORITIES ii

INTEREST OF THE *AMICUS CURIAE* 1

SUMMARY OF THE ARGUMENT 2

ARGUMENT 3

I. DESIGN PATENTS ARE VITAL TO THE NASCENT APP ECONOMY 3

II. THE COURT SHOULD NOT REINTERPRET THE CLEAR INTENT OF CONGRESS IN SECTION 289 9

III. A WEAKENING OF THE SAFEGUARDS IN SECTION 289 WOULD CAUSE HARM TO SMALL SOFTWARE DEVELOPERS AND THE APP ECOSYSTEM, AND THE COURT SHOULD REJECT SPECULATIVE HARMS RAISED BY PETITIONER AND PETITIONER'S AMICI 12

A. Reducing Section 289's Clear Protections Against Design Patent Infringement Will Impede Small Business Innovators' Ability to Grow and Hire 13

B. Claims That Upholding Section 289's Clear Protections Against Design Patent Infringement Will Create Abusive Patent Litigation by "Patent Trolls" and "Patent Holdup" are Baseless 14

CONCLUSION 18

TABLE OF AUTHORITIES

CASES

Page(s)

American Fruit Growers v. Brogdex Co.,
283 U.S. 1 (1931).....9

Bates v. United States,
522 U.S. 23 (1997).....11

Bergstrom v. Sears, Roebuck & Co.,
496 F. Supp. 476 (D. Minn. 1980).....11

Bonito Boats, Inc. v. Thunder Craft Boats Inc.,
489 U.S. 141 (1989).....17

Catalina Lighting, Inc. v. Lamps Plus, Inc.,
295 F.3d 1277 (Fed. Cir. 2002)..... 10

Commil USA, LLC v. Cisco Systems, Inc.,
135 S. Ct. 1920 (2015).....16

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Gorham Co. v. White,
81 U.S. (14 Wall.) 511 (1872).....8

Microsoft Corp. v. i4i Ltd. P'ship,
564 U.S. 91 (2011).....12

Nike Inc. v. Wal-Mart Stores, Inc.,
138 F.3d 1437 (Fed. Cir. 1998).....10, 11

STATUTES AND RULES

35 U.S.C.
§ 289.....9,10,

Leahy–Smith America Invents Act, PL 112-29, Sept. 16, 2011, 125 Stat 284.....11

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INTEREST OF THE *AMICUS CURIAE*[1]

ACT | The App Association is an international grassroots advocacy and education organization representing more than 5,000 small software application developers and information technology firms, and is the only organization focused on the needs of small business innovators from around the world. The App Association advocates for an environment that inspires and rewards innovation while providing resources to help its members leverage their intellectual assets to raise capital, create jobs, and continue to grow.

In light of the critical role that design patents and technological advancement play in enhancing competition and improving the welfare of consumers, the App Association has a keen interest in the proper functioning of the US patent system. In particular, while the dispute underlying the Question before this Court is between large companies, we submit this brief to ensure that the Court fully considers the impact that sweeping changes to design patent law will have on small business innovators that power the American economy. These innovators rely on legal clarity and certainty regarding their design patents in order to to thrive and succeed in one of the most competitive sectors of the economy.

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[1] Pursuant to Rule 37.6, amicus affirms that no counsel for a party authored this brief in whole or in part and that no person other than amicus and its counsel made a monetary contribution to its preparation or submission. Petitioner filed a blanket consent in this appeal on May 18, 2016, and respondent provided its consent to the filing of this brief via letter dated July 26, 2016. The latter has been filed with the Clerk's office.

SUMMARY OF ARGUMENT

In less than a decade, the revolutionary rise of the software application ("app") industry, along with the unprecedented uptake of smartphones, tablets and other Internet-enabled mobile devices, has unleashed countless society-altering improvements and efficiencies to the benefit of hundreds of millions of Americans. This hyper-competitive and innovative "app economy" is powered by thousands of small businesses from across the United States that rely on the legal framework protecting their intellectual property to attain funding, grow, and create jobs. Of the different types of important intellectual property rights these innovators depend on – from trademarks to copyrights to patents – design patents play an essential and unique role by offering distinct protections of particular design elements of software that are crucial to a product's success in the marketplace.

The recovery mechanisms that Congress provided to design patent owners in 35 U.S.C. § 289 are foundational to these protections. Since the creation of design patents, courts have long upheld the clear intent of Congress in Section 289 to permit (but not require) the trier of fact to award the owner of an infringed design patent the infringer's entire profits from the article of manufacture to which the design was applied. Small businesses in the app economy, in order to commit resources to continued innovation, must be able to count on these safeguards.

The intent and statutory language of Congress in creating design patents and the "total profit" approach

are unmistakable and unambiguous. As the established approach of this Court is to take statutory meaning at its face value, and neither Petitioner nor any of its supporters offer adequate justification for a re-reading of Section 289, this Court should reject calls to reinterpret the law.

Further, no segment of the high technology industry is more concerned – or susceptible – to litigation abuses than the thousands of small software development firms that the App Association represents. The Petitioner aims for this Court to weaken Section 289's protections by introducing an apportionment approach into the determination of design patent infringement damages based on a litany of extreme hypotheticals. These alleged harms that would befall the patent system, ranging from "patent trolls" to undue double recovery and beyond, are entirely speculative. In addition, despite design patents and the precedent the Petitioner seeks to discard being in existence for over 130 years, none of these harms have materialized to date over this long period of time.

We therefore strongly urge this Court to reject the Petitioner's argument and to uphold the judgement.

ARGUMENT

I. DESIGN PATENTS ARE VITAL TO THE NASCENT APP ECONOMY

The app industry has been in existence less than a decade, and has experienced explosive growth alongside the rise of smartphones, tablets, and other Internet-connected devices, and has revolutionized the

software industry, touching every sector. ACT | The App Association, *State of the App Economy 2016* (Jan. 2016), http://actonline.org/state-of-the-app-economy-2016/. Today, the app economy is a $120 billion ecosystem that is led by United States companies. *Id.* Over eighty percent of app economy companies are startups or small businesses. *Id.* As decreasing operational costs through the use of global computing resources, such as cloud-based services, have enabled a diversity of novel and inventive business models, hundreds of millions of Americans – and billions of people around the world – today use apps in every facet of their lives, from education to finance to leisure activities and beyond. And this use will only increase: downloads in the app store in 2016 are targeted to grow to 147.3 billion and by 2020 to reach 284.3 billion. Dean Takahashi, *The App Economy Could Double to $101 Billion by 2020*, Venture Beat (Feb. 10, 2016), http://venturebeat.com/2016/02/10/the-app-economy-could-double-to-101b-by-2020-research-firm-says/.

The app economy is also responsible for creating a significant number of jobs in the United States, with salaries paid to software developers bringing in more than $114 billion to the economy. ACT | The App Association, *Six-Figure Tech Salaries: Creating the Next Developer Workforce*, (Jan. 2016), http://www.arcgis.com/apps/MapJournal/index.html?appid=b1c59eaadfd945a68a59724a59dbf7b1. While eighty-nine percent of these software developers are employed outside Silicon Valley, there are more than 223,000 unfilled job openings for software developers in the United States today. *Id.* And while in 2013 there were about 750,000 app economy jobs in the United States, in 2016 there are 1.66 million app economy

jobs. Michael Mandel, *App Economy Jobs in the United States (Part 1)*, Progressive Policy Institute (Jan. 1, 2016), http://www.progressivepolicy.org/slider/app-economy-jobs-part-1/.

As more and more devices throughout the consumer and enterprise spheres become connected to the Internet – a phenomena commonly referred to as the "Internet of Things" – the interface for communicating with these devices is likely to remain an app. Morgan Reed, *Comments of ACT | The App Association to the National Telecommunications and Information Administration regarding The Benefits, Challenges, and Potential Roles for the Government in Fostering the Advancement of the Internet of Things*, ACT | The App Association (June 2, 2016), http://actonline.org/wp-content/uploads/NTIA-Comments-on-IoT-Regulations.pdf. This app-powered ecosystem's success, reliant on continued innovation and investment in connected devices and interfaces, will hinge on the sufficiency of the legal frameworks that underlie them.

Among these frameworks, strong patent protections are heavily relied upon by small software companies to protect their inventions, grow their businesses, and create jobs. Small businesses hold 41 percent of patents in the United States and, on average, patents owned by small firms are more highly-cited than those of large firms. *See Small Serial Innovators: The Small Firm Contribution to Technical Change*, SBA Office of Advocacy (Feb. 27 2003); *see also* Anthony Breitzman & Patrick Thomas, *Analysis of Small Business Innovation in Green Technology*, SBA Office of Advocacy (Oct. 2011) http://www.sba.gov/sites/default/files/rs389tot.pdf.

Smaller firms have 16 times more patents per employee than large firms. *See id.* On average, small innovative businesses with fewer than 500 employees have 27 patents per 100 employees, while large business have 1.6 patents per 100 employees. *See id.*

Patenting also plays a substantial role for high-technology small business startups in securing a competitive advantage from their innovations. *See* Ronald J. Mann & Thomas W. Sager, *Patents, Venture Capital, and Software Start-Ups*, 36 Res. Pol'y 193, 194 (2007). Start-ups that file at least one patent prior to applying for venture capital funding on average obtain 51.7% more funding from venture capitalists than start-ups who do not file. Habio Zhou et al., *Patents, Trademarks, and Their Complementarity in Venture Capital Funding*, Technovation, Jan. 2016, at 14-22 [hereinafter Zhou, *Patents*]. With patents, small businesses can also use that protection to attract investment. Investors, understanding how patents are used to secure businesses, often consider how firms have protected their IP before deciding to invest. Patents can serve as "quality signals for startup investors," allowing small businesses to demonstrate their innovations and their commitment to protecting that investment. Stuart J.H. Graham et. al., *High Technology Entrepreneurs and the Patent System: Results of the 2008 Berkeley Patent Survey*, 24 Berkeley Tech. L.J. 1255, 1303 (2009) [hereinafter Graham, *High Technology*].

Further, as financial markets have, over time, gained the ability to attain and use relevant information about a business' assets and future cash flow, patent-related information has grown in importance. *See* Thoma Grid, *Patent Management and*

Valuation: The Strategic and Geographical Dimension (2016) (ebook) [hereinafter Grid, *Patent Management*]. The valuation of a small business holding a design patent is therefore highly dependent on the validity and enforceability of that patent. Further, small business software developers must seek capital injections from a variety of sources to hire needed employees and to grow, and when seeking these injections, a valuation of the business' assets are a threshold issue. *See* Zhou, *Patents* at 14-22; *see also* Peter S. Menell, Promoting Patent Claim Clarity (UC Berkeley Pub. Law Research Paper No. 2171287, 2012), available at http://ssrn.com/abstract=2171287.

Although there can be different approaches to product development, most, if not all start with an idea, are researched, transition into a conceptualization, progress into the prototype phase, and finally are produced and brought to the marketplace. *See* Jennifer L. Case, *How the America Invents Act Hurts American Inventors and Weakens Incentives to Innovate*, 82 UMKC L. Rev. 29, 32 (2013) [hereinafter Case, The *America Invents Act*]. In this process, not only are functions developed, but so are innovative and novel appearance characteristics associated with brand recognition. *See* Colleen V Chien, *Patent Assertion and Startup Innovation*, New America Foundation, Open Technology Institute White Paper (2013), http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2321340 [hereinafter Chien, *Patent Assertion*]; see *also* Graham, *High Technology*; *see also* Grid, *Patent Management*. And in the hyper-competitive app economy, ease of use and other aesthetic

characteristics can easily represent the success or death of a product. In this way, design patents on recognizable features provide vital protections to "aspect[s] given to [an] article of manufacture" that "give[] a peculiar or distinctive appearance to the manufacture." *Gorham Co. v. White*, 81 U.S. (14 Wall.) 511, 524-25 (1872). Design patent holders are further allowed to update their innovations through filing for additional design patents to hone the representation to further differentiate themselves from competitors. In this way, design patents are an incentive to create articles of manufacture in new and efficient ways. *See* Abby J. Queale, *Transcript of Presentation the Design Patent: A Sleeping Giant?*, 16 Fla. Coastal L. Rev. 139, 143 (2014).

Design patents are distinct, but complementary, to other intellectual property protections (utility patents, trademarks and copyrights). For example, design patents offer app developers the ability to compete through the patenting of graphic user interfaces (GUI). These GUIs permit app developers to patent static or animated graphics which act as the logos and branding of these small business, which in turn are intrinsic to the performance of an app, shaping the end user's acceptance of and experience with it. *See* Michael Risch, *Functionality and Graphical User Interface Design Patents*, 17 Stan. Tech. L. Rev. 53, 59-63 (2013). Therefore, strong intellectual property protection of designs patents over such aspects as GUIs are necessary to protect businesses and consumers alike. *See id.*

Design patents, protecting the appearance given to an article of manufacture, predate the app economy by

over 100 years, yet they play an absolutely integral role in the competition and innovation that drives the app economy today, particularly for small business software development firms. However, "[w]ithout some ability to recuperate their investment of time and money, startups and individual inventors will stop turning their bright ideas into products that benefit society." *See* Case, *The America Invents Act* at 41.

II. THE COURT SHOULD NOT REINTERPRET THE CLEAR INTENT OF CONGRESS IN SECTION 289

Section 289 states that a person who applies a patented design to an "article of manufacture for the purpose of sale" or who sells "any article of manufacture to which" the patented design has been applied, "shall be liable to the [patent] owner to the extent of his total profit." 35 U.S.C. 289. Further the "article of manufacture" will not always be the finished product that is sold in commerce. An "article" is something that could be a part of other things or an object by itself. Dictionary.com, http://www.dictionary.com/browse/article (last visited August 4, 2016). To be considered manufactured, "[t]here must be transformation; a new and different article must emerge 'having a distinctive name, character, or use." *American Fruit Growers v. Brogdex Co.*, 283 U.S. 1, 13 (1931).

Section 289 remedies exist in addition to the other remedies available under 35 U.S.C. § 284, which allows for an award of "damages sufficient to

compensate for the infringement, but in no event less than a reasonable royalty..." 35 U.S.C. § 289. As discussed on the record, neither Section 289 nor precedent from this Court prohibits concurrent recovery under Sections 284 and 289. The Ass'n of The Bar Of The City Of NY Br. 4-6. Despite the petitioner's argument that Section 289 allows for double recovery, the statute explicitly rejects this idea. 35 U.S.C. § 289 ("[n]othing in this section shall prevent, lessen, or impeach any other remedy which an owner of an infringed patent has under the provisions of this title, but he shall not twice recover the profit made from the infringement."); *see also Catalina Lighting, Inc. v. Lamps Plus*, Inc., 295 F.3d 1277, 1291 (Fed. Cir. 2002).

When Congress designed the remedy now enshrined in Section 289, it was responding to the specific problem of apportioning the value of a product derived from a protected design. *See* S. Rep. No. 49-206, at 1 (1886). Congress recognized that requiring design patent holders to attribute damages precisely and specifically to the patented design would leave them "without a remedy" in the vast majority of cases of infringement. *Id.* at 1; *see also, e.g., Nike Inc. v. Wal-Mart Stores, Inc.*, 138 F.3d 1437, 1442–43 (Fed. Cir. 1998) (discussing the history of the Patent Act). Congress therefore enacted the "total profit" remedy to avoid the inefficiencies and unintended outcomes associated with requiring design patent owners to apportion their damages. *See, e.g., Dobson v. Dornan*, 118 U.S. 10, 17 (1886).

By creating the "total profit" remedy in 1887 and by retaining that remedy through the past century despite numerous revisions to the Patent Act, Congress deliberately sought to retain this disgorgement remedy for design patents. *See* Leahy–Smith America Invents Act, PL 112-29, Sept. 16, 2011, 125 Stat 284 (overhauling patent law without amending the total profit rule for design patent damages); *see also Bergstrom v. Sears, Roebuck & Co.*, 496 F. Supp. 476 (D. Minn. 1980) ("In 1946, and again in 1952, Congress left the 'total profit' remedy for design patent infringement untouched, even while eliminating infringer profits as a remedy for infringement of utility patents and removing the requirement of knowing infringement."); *See generally* United States Statutes at Large, 49 Cong. Ch. 105, February 4, 1887, 24 Stat. 387. Further, the application of apportionment principles in design patent cases has been specifically rejected by courts on a number of occasions. *See, e.g., Nike*, 138 F.3d at 1442–43; *Bergstrom*, 496 F. Supp. At 476.

This Court "ordinarily resist[s] reading words or elements into a statute that do not appear on its face." *Bates v. United States*, 522 U.S. 23, 29 (1997). It is clear from the legislative history and from statutory text that Congress did not intend to require design patent damages to use apportionment in the calculation of damages. Neither Petitioner, nor any of its supporters, offer sufficient grounds for courts to take a different reading of Section 289, whether based on the history of Section 289 or on the text of the statute. "Any re-calibration" of that remedy "remains

in [Congress's] hands." *Microsoft Corp. v. i4i Ltd. P'ship*, 564 U.S. 91, 114 (2011).

III. A WEAKENING OF THE SAFEGUARDS IN SECTION 289 WOULD CAUSE HARM TO SMALL SOFTWARE DEVELOPERS AND THE APP ECOSYSTEM, AND THE COURT SHOULD REJECT SPECULATIVE HARMS RAISED BY THE PETITIONER AND PETITIONER'S AMICI

Design patent protections in Section 289 were carefully shaped by Congress over 100 years ago and are, today, essential to small business technology developers. Infra at 9-10. However, the record contains claims from Petitioners and their amici urging this Court to undercut Section 289, making arguments alleging that upholding the Federal Circuit's interpretation of Section 289 will damage the startup ecosystem, chill innovation, and facilitate "patent holdup" and "patent trolls," among other harms. Representing the global community of app developers, The App Association disagrees with these speculative claims, and urges this Court to disregard them. First, we believe that introducing apportionment into Section 289 remedies would unreasonably devalue design patents, threatening the viability of small business app innovators. Further, upholding the established protections of Section 289 have no linkage to abusive litigation tactics such as those employed by "patent trolls."

A. Reducing Section 289's Clear Protections Against Design Patent Infringement Will Impede Small Business Innovators' Ability to Grow and Hire

Small business app makers, almost universally, are operating on borrowed time. They face financial, time, and other resource constraints yet must work to grow. The valid design patents they hold are their lifeblood, and provide an avenue to seek new financing, hire new talent, grow into new markets, differentiate themselves, and prevent theft of their intellectual property.

By weakening the established remedies in Section 289 and introducing an undefined apportionment approach to such damages, the valuation of design patents will unquestionably decrease, as the recourse for infringement of these patents will be uncertain. Even supporters of the Petitioner discuss the uncertainties and complexities that would arise in such an event. Public Knowledge et al. Br. 16-20. Further, the development of such a new and sweeping precedent would directly conflict with Congressional intent and text of Section 289, which was intended to avoid the uncertainty of an apportionment approach for this class of patents. *See infra* at 9-12.

For larger businesses, this may be overcome through shifting of internal investments and cost (or other means). However, for small business software developers that face razor-thin margins and high competition, the implications of such a change can represent the difference between growth and winding

down. Simply put, these smaller entities would find tightened funding mechanisms available to them due to the lessening of the value of their design patents. We therefore urge this Court to consider the impact of reducing Section 289's clear guarantees to design patent owners when making its ruling in this case.

B. Claims That Upholding Section 289's Clear Protections Against Design Patent Infringement Will Create Abusive Patent Litigation by "Patent Trolls" and "Patent Holdup" are Baseless

No segment of the technology industry better understands the dangers of abusive litigation than small software developers that hold patents. It is estimated that legal costs can range from $500,000 to $3 million per suit, or $500,000 per claim at issue, for each party involved in patent litigation. *See* American Intellectual Property Law Association, *Report Of The Economic Survey* (2015) (ebook). Further, the rates of settlement of patent cases are approximately 80 percent, rather than the commonly assumed rate of 95 percent litigation settlement. *See* Jay P. Kesan & Gwendolyn Ball, *How Are Patent Cases Resolved? An Empirical Examination of the Adjudication and Settlement of Patent Disputes*, 84 Wash. Univ. L. Rev. 237, 259 (2006). Naturally, small businesses are more vulnerable to the high costs of litigation, and in addition to costs can face related delays in hiring, and difficulty in making timely business line pivots. *See* Chien, *Patent Assertion*.

As discussed above, the app economy relies upon the consistent and clear application of patent law generally, and particularly for design patents. Policymakers have long attempted to remedy the implicit stress between reducing the exploitations of "patent trolls" while ensuring that genuine patent owners can safeguard their intellectual property rights. Grace Heinecke, *Pay the Troll Toll: The Patent Troll Model Is Fundamentally at Odds with the Patent System's Goals of Innovation and Competition*, 84 Fordham L. Rev. 1153, 1156 (2015). Regardless of how one defines a "patent troll,"[2] this Court should foster innovation and competition by ensuring that it does not punish legitimate intellectual property owners who have relied on and strive to comply with the letter and spirit of the Patent Act. *See, e.g.*, James Bessen & Michael J. Meurer, *The Direct Costs from NPE Disputes*, 99 Cornell L. Rev 387, 396 (2014). We urge this Court to accomplish this goal by providing reinforcement to – not an unsubstantiated reinterpretation of – Congress' intent in Section 289. Without this clarity, small business design patent owners on whose survival the viability of their design patent hinges very well may face an "end of life" scenario when its design patents' value is diminished through negative impacts on the ability to attain new capital and create jobs, as well as in recovering just damages for infringements on its design patents.

Petitioner and several of its supporters allege that the Federal Circuit's application of Section 289 would

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[2] To date, there is no definitive or widely-held view on what constitutes a "patent troll."

damage the startup ecosystem by encouraging a "cottage industry of opportunistic litigation" in the design patent space. *See, e.g.* Public Knowledge Br. 16-21. Supporters of the Petitioner also claim that "patent trolls" would cause this storm of litigation to be enabled through the upholding of the Federal Circuit's application of Section 62. *See, e.g.* Engine Advocacy Br 7-10. These claims are unsubstantiated and wildly speculative, and should be disregarded by this Court. In reality, the certainty provided by Section 289 is foundational to design patent owners, particularly to small businesses, and will help to curb the same "patent trolls" that this Court has stated "impose a harmful tax on innovation." *Commil USA, LLC v. Cisco Systems, Inc.*, 135 S. Ct. 1920, 1930 (2015).

Further, we find the connection by Petitioner and several of its supporters of "patent trolls" to design patents to be totally unsupported, as well as unaligned with the real-world experiences of innovative startups and small businesses. In the experience of the app developer community, the assertion of patents by "patent trolls" is one specific to utility patents, not design patents. Rather, in the context of design patents, app developers are primarily concerned with the potential that protection afforded by design patents will be eroded, enabling copycats to steal their innovations and undermine their businesses. The curtailing and obscuring of Section 289 damages by this Court would weaken the disincentive to violate design patents by upending established precedent regarding the responsibilities of justly-deemed patent infringers. This would prod infringement of design patents closer towards being regarded as another cost

of doing business," welcoming a gaming of the system by these patent trolls.

And based on Petitioners' reasoning, the Federal Court's application of Section 289's "total profits" rule, since it is well-established already, should have already spawned this "cottage industry of opportunistic litigation." *See* Pet. App. at 13a-14a. Further, as an example of this storm of litigation, Petitioners and their supporters claim that a patent infringer's total profits can be recovered more than once, yet fail to cite adequate Court precedent, Section 289 itself or a single example of this happening over the history of Section 289's application. *See id.* These particular aspects illustrate the hypothetical nature of the Petitioner and its supporters' non-legal arguments, and highlight why this Court to ignore these unsupported speculations.

Finally, while these and other speculative harms are explored by the Petitioner and its supporters, they go beyond the Question taken up by this Court and raise policy advocacy points appropriate for consideration in the legislative process, not before this Court. We urge this Court to agree that "[i]t is for Congress to determine if the present system of design and utility patents is ineffectual." *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.* , 489 U.S. 141, 167-168 (1989).

CONCLUSION

The judgement be affirmed.

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No. 15-777

IN THE

Supreme Court of the United States

SAMSUNG ELECTRONICS CO., LTD., SAMSUNG ELECTRONICS AMERICA, INC., SAMSUNG TELECOMMUNICATIONS AMERICA LLC,

Petitioners,

v.

APPLE INC.,

Respondent.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF OF *AMICUS CURIAE* AMERICAN INTELLECTUAL PROPERTY LAW ASSOCIATION IN SUPPORT OF RESPONDENT

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TABLE OF CONTENTS

Page

TABLE OF CONTENTS i

TABLE OF CITED AUTHORITIES iii

STATEMENT OF INTEREST 1

SUMMARY OF ARGUMENT 2

ARGUMENT 3

I. Overview of Design Patent Law 3

II. The Additional Relief to Design Patentees Afforded by 35 U.S.C. § 289 is Clear and Unambiguous 5

III. Legislative History Supports a Plain-Meaning Statutory Construction 7

A. Patent Remedies Prior to 1842 7

B. Patent Remedies and the Carpet Cases 8

C. The Act of 1887 Eliminated Apportionment 11

D. Section 289 Implements Congressional Intent to Award an Infringer's Entire Profits 13

Table of Contents

Page

IV. Reliance on Explicit Language in Section 289 Is Justified by Evidence in Trademark and Copyright Law That Congress Conditions Infringement Remedies with Express Language Where It Chooses to Do So. 15

V. The Policy Implemented by Congress in 1887 Remains Good Policy 18

CONCLUSION 20

TABLE OF CITED AUTHORITIES

Page

CASES:

Apple Inc. v. Samsung Elecs. Co.,
786 F.3d 983 (Fed. Cir. 2015) 6

Aro Mfg. Co., Inc. v. Convertible Top Replacement Co., Inc.,
377 U.S. 476 (1964) 14

Bonita Boats, Inc. v. Thunder Craft Boards, Inc.,
489 U.S. 141 (1989) 3

Burdell v. Denig,
92 US. 716 (1876) 9

Dobson v. Dornan,
118 U.S. 10 (1886) 4, 6, 10

Dobson v. Hartford Carpet Co.,
114 U.S. 439 (1885) 4, 6, 10, 11

Egyptian Goddess, Inc. v. Swisa, Inc.,
543 F.3d 665 (Fed. Cir. 2008) 4

Feltner v. Columbia Pictures Television, Inc.,
523 U.S. 340 (1998) 17

F.W. Woolworth Co. v. Contemporary Arts, Inc.,
U.S. 228 (1952) 18

Garretson v. Clark,
111 U.S. 120 (1884) 10

Cited Authorities

Page

Garretson v. Clark,
10 F. Cas. 40 (C.C.N.D.N.Y. 1878).....9

Gorham Co. v. White,
81 U.S. (14 Wall.) 511, 20 L.Ed. 731 (1871) 4, 5

Henry Hanger & Display Fixture Corp. of Am. v. Sel-O-Rak Corp.,
270 F.2d 635 (5th Cir. 1959).....7

Markman v. Westview Instruments, Inc.,
517 U.S. 370 (1996).....4

Petrella v. Metro-Goldwyn-Mayer, Inc.
134 S. Ct. 1962 (2014).....17

Ratzlaf v. United States,
510 U.S. 135 (1994).....6

Schnadig Corp. v. Gaines Mfg. Co.,
620 F.2d 1166 (6th Cir. 1980).....6-7

Seymour v. McCormick,
57 U.S. (16 How.) 480 (1853) 7

Sheldon v. Metro-Goldwyn Pictures Corp.,
309 U.S. 390 (1940).....17

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135 S. Ct. 831 (2015).....4

Cited Authorities

Page

STATUTES:

15 U.S.C. § 1114 ..... 15, 16

15 U.S.C. § 1117 15

17 U.S.C. § 504 ..... 16, 17

35 U.S.C. § 70 14

35 U.S.C. § 171 ..... 3, 19

35 U.S.C. § 284 ..... 5, 13

35 U.S.C. § 289 ..... *passim*

RULES:

S. Ct. R. 37.3 2

S. Ct. R. 37.6 1

OTHER AUTHORITIES:

U.S. Const., art. 1, § 8 3

Act of Feb. 21, 1922, ch. 58, § 8, 42 Stat. 389 13

Act of August 29, 1842, ch. 263, § 2, 5 Stat. 543 8

Page

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1887 Act, ch. 105, 24 Stat. 387 .....10, 11, 12

Act of August 1, 1946, c. 726, § 1, 60 Stat. 778.....14

Lanham Trademark Act, Pub L.79-489, 60 Stat 427 (1946)... 15

Patent Act of 1790, ch. 7, § 4, 1 Stat. 111. ... 7

Cited Authorities

Page

Patent Act of 1793, ch. 11, § 5, 1 Stat. 318. 7

Patent Act of 1800 ch. 25, § 3, 2 Stat. 37. 7

Patent Act of 1819, ch. 19, § 1, 3 Stat. 481. 8

Patent Act of 1836, ch. 357, § 17, 5 Stat. 117. 8

Patent Act of 1870, ch. 230, §§ 55, 59, 15 Stat 198 (1870) 9

S. Rep. No. 104-177 (1995) 19

S. Rep. No. 1503, 79th Cong., 2 (1946) 14

S. Rep. 206, 49th Cong., lst Sess. (Mar. 9, 1886) 12

STATEMENT OF INTEREST

The American Intellectual Property Law Association is a national bar association of approximately 14,000 members who are primarily lawyers engaged in private and corporate practice, in government service, and in the academic community.[1] The Association's members represent a wide and diverse spectrum of individuals, companies, and institutions involved directly and indirectly in the practice of patent, trademark, copyright, trade secret, and unfair competition law as well as other fields of law affecting intellectual property. Our members represent both owners and users of intellectual property. Our mission includes helping establish and maintain fair and effective laws and policies that stimulate and reward invention while balancing the public's interest in healthy competition, reasonable costs, and basic fairness.

The Association has no stake in the parties to this litigation or in the result of this case, other than its

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1. In accordance with Supreme Court Rule 37.6, amicus curiae states that this brief was not authored, in whole or in part, by counsel to a party, and that no monetary contribution to the preparation or submission of this brief was made by any person or entity other than the amicus curiae and its counsel. Specifically, after reasonable investigation, AIPLA believes that (i) no member of its Board or Amicus Committee who voted to file this brief, or any attorney in the law firm or corporation of such a member, represents a party to this litigation in this matter, (ii) no representative of any party to this litigation participated in the authorship of this brief, and (iii) no one other than AIPLA or its members who authored this brief and their law firms or employers made a monetary contribution to the preparation or submission of this brief.

interest in the correct and consistent interpretation of law affecting intellectual property.[2]

SUMMARY OF ARGUMENT

Congress has answered the question presented in this case. In enacting 35 U.S.C. § 289, it established that compensation for design patent infringement may include the infringer's profit from the sale of the article bearing the claimed design. Section 289 expressly states that the infringer "shall be liable to the owner to the extent of his total profit" for the article manufactured to which the claimed design is applied.

The legislative history of Section 289 supports the plain meaning of the statutory language and demonstrates the policy decision Congress made in providing this remedy to design patent owners. Congress over the years has made somewhat different decisions concerning recovery of an infringer's profits with respect to utility patents (repealed in 1946), trademarks (granted in 1946, placing the apportionment burden on the infringer), and copyrights (granted in 1976, placing the apportionment burden on the infringer). Congress has not, however, moved away from its grant to design patent owners of the right to recover an infringer's total, un-apportioned profits.

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2. In accordance with Supreme Court Rule 37.3(a), AIPLA has obtained the consent of the parties the file this amicus brief in support of Respondent. Petitioner Samsung has filed a blanket consent letter with the Court, and Respondent Apple delivered its consent to AIPLA by letter filed with this brief.

This remedy, moreover, remains an important weapon in the arsenal of design-patent holders in the fight against counterfeit articles of manufacture. That mundane, everyday battle should not be overshadowed by high-profile rhetoric.

ARGUMENT

I. Overview of Design Patent Law

The development of design patent law parallels the history of technology in the United States and reflects policy decisions enacted by Congress concerning the role of design patents to "promote the progress of science and useful arts." U.S. Const., art. 1, § 8. Of particular relevance here, Congress realized that the additional remedy of an infringer's profits was necessary for adequate design patent protection.

Since 1842, Congress has made protection available for "any new, original and ornamental design for an article of manufacture." 35 U.S.C. § 171. To qualify for protection, a design must present an aesthetically pleasing appearance that is not dictated by function alone, and must satisfy the other criteria of patentability set forth in Title 35 of the United States Code. *See, e.g., Bonita Boats, Inc. v. Thunder Craft Boards, Inc.*, 489 U.S. 141, 148 (1989).

Patent claims define the scope of protection afforded to the patent holder for both utility patents and design patents. A utility patent includes claims in the numbered sentences that appear at the end of a patent, whereas a design patent has only one claim directed to the ornamental design as shown by the drawings in the

patent.[3] Construction of both claim forms is now an issue of law for the courts. *Teva Pharms. USA, Inc. v. Sandoz, Inc.* 135 S. Ct. 831 (2015); *Markman v. Westview Instruments, Inc.*, 517 U.S. 370 (1996). One practicality of construing a design patent claim, *i.e.*, the drawing, is that a picture alone sometimes may be better than a thousand words.[4]

The test for determining infringement of a design patent was established in *Gorham Co. v. White*, 81 U.S. (14 Wall.) 511, 20 L.Ed. 731 (1871):

> [I]f, in the eye of an ordinary observer, giving such attention as a purchaser usually gives, two designs are substantially the same, if the resemblance is such as to deceive such an observer, inducing him to purchase one supposing it to be the other, the first one patented is infringed by the other.

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3. *See, e.g., Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 373 (1996)(utility patents); *Dobson v. Hartford Carpet Co.*, 114 U.S. 439, 446 (1885)(design patents). Design patents are subject to the statutory claim requirement. 35 U.S.C. § 171 ("The provisions of this title relating to patents for inventions shall apply to patents for designs, except as otherwise provided.").

4. A claim to a design "substantially as shown," without verbal description, is an accepted claim form. *Dobson v. Dornan*, 118 U.S. 10, 14 (1886)(claimed design "is better represented by the photographic illustration than it could be by any description, and a description would probably not be intelligible without the illustration."). *See also Egyptian Goddess, Inc. v. Swisa, Inc.*, 543 F.3d 665, 679-80 (Fed. Cir. 2008) (en banc).

Id. at 528.[5] The need to prove substantial similarity that creates a potential for deception suggests the context in which Congress long ago provided design patent owners with the additional remedy now codified in 35 U.S.C. § 289.

II. The Additional Relief to Design Patentees Afforded by 35 U.S.C. § 289 is Clear and Unambiguous

In general, patent owners may recover "damages adequate to compensate for the infringement," 35 U.S.C. § 284, such as an award of their lost profits or a reasonable royalty for use of the claimed invention. In addition, design patent owners may elect those remedies as well as (with some limitations) the infringer's profits under 35 U.S.C. § 289:

> Whoever ... applies the patented design ... to any article of manufacture ... shall be liable to the owner **to the extent of his total profit**, but not less than **$250** ....
>
> Nothing in this section shall prevent, lessen or impeach any other remedy which an owner of an infringed patent has under the provisions of this title, but he shall not twice recover the profit made from the infringement.

35 U.S.C. § 289 (emphasis added).

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5. This case was the outgrowth of a clash between solid silver manufacturers and silver-plating operations. *See, e.g.*, Du Mont, Jason J. and Janis, Mark D., American Design Patent Law: A Legal History, Ch. 6 - Design Patent Remedies at 6/14 (May 26, 2016) (hereafter "Du Mont, Legal History"). American Design Patent Law: A Legal History, Ch. 6 - Design Patent Remedies (Cambridge Univ. Press Forthcoming) Available at SSRN: http://ssrn.com/abstract=2784746

As discussed below, this statutory language first was enacted in 1887 and has remained essentially unchanged. The genesis of the 1887 legislation can be found in decisions in 1885 and 1886 decisions of this Court that limited a design patent owner to recovery of "only nominal damages," for want of evidence apportioning the value of the design and the value of the article of manufacture itself. *Dobson v. Dornan*, 118 U.S. 10 (1886); *Dobson v. Hartford Carpet Co.* 114 U.S. 439 (1885).

The language of the statute is clear and unequivocal. One who applies a patented design to an article of manufacture shall be liable "to the extent of his total profits." 35 U.S.C. § 289. *See e.g., Ratzlaf v. United States*, 510 U.S. 135, 147-48 (1994) ("There are, we recognize, contrary indications in the statute's legislative history. But we do not resort to legislative history to cloud a statutory text that is clear."). It has been argued that the statutory term "article of manufacture" refers to the component to which the design is applied (here it would be the cell phone case) rather than the entire phone product sold. However, as pointed out by the Federal Circuit, the identification of the article of manufacture for purposes of Section 289 is an issue of fact to be decided on a case-by-case basis, focusing on how the product is sold. *Apple Inc. v. Samsung Elecs. Co.*, 786 F.3d 983, 1002 (Fed. Cir. 2015); Brief of the United States as Amicus Curiae Supporting Neither Party, at 9.

The statutory language constitutes a congressional rejection of a causation consideration, *i.e.*, an apportionment requirement, and authorizes recovery of the infringer's total profit from the article of manufacture bearing the patented design. *See* 786 F.3d at 1002-3 (*citing Schnadig Corp. v. Gaines Mfg. Co.*, 620 F.2d 1166, 1171 (6th Cir.

1980); *Henry Hanger & Display Fixture Corp. of Am. v. Sel-O-Rak Corp.*, 270 F.2d 635, 643-44 (5th Cir. 1959)).

III. Legislative History Supports a Plain-Meaning Statutory Construction

Section 289 is intertwined with the evolution of law/equity jurisprudence and with sea changes in technological advances.

A. Patent Remedies Prior to 1842

Section 4 of the Patent Act of 1790 allowed patentees to recover "such damages as assessed by a jury."[6] The Patent Act of 1793 changed the patentee's recovery to "a sum, which shall be at least three times the price, for which the patentee has usually sold or licensed to other persons, for the use of the said invention."[7] Congress again changed the form of damages in the Patent Act of 1800, authorizing a patentee to recover "a sum equal to three times the actual damages sustained" by the patentee.[8]

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6. Patent Act of 1790, ch. 7, § 4, 1 Stat. 111 (1790).

7. Patent Act of 1793, ch. 11, § 5, 1 Stat. 318 (Feb. 21, 1793). *See also Seymour v. McCormick*, 57 U.S. (16 How.) 480, 488 (1853) (while the price of a license became the measure of single damages, "the value of a license could not be made a universal rule, as a measure of damages.").

8. Patent Act of 1800, ch. 25, § 3, 2 Stat. 37 (1800).

The Patent Act of 1819 ushered in federal equity's involvement in patent litigation.[9] Until then, a patentee had only the legal remedy of an action on the case, with relief limited to an award of damages. Under the 1819 Act, courts of equity could order equitable accountings of the infringer's profits, but not the recovery of the patentee's lost profits or royalty. The Patent Act of 1836 continued to give patentees the option of pursuing actions in law or equity. It empowered a jury in a court of law to assess "actual damages sustained" by the patentee, but repealed mandatory trebling.[10] Instead, courts were vested with the discretionary power to award up to treble the amount of the actual damages as punitive damages.[11] Federal equity jurisdiction was also continued into the 1836 Act.[12] At least some judges sitting in equity awarded an accounting of infringer's profits in patent cases.

As noted above, Congress enacted provisions to address specific issues raised by patents on designs in 1842.[13]

B. Patent Remedies and the Carpet Cases

In 1870, Congress expanded the power of federal equity to include where appropriate the award of the

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9. Patent Act of 1819, ch. 19, § 1, 3 Stat. 481-82 (1819).

10. Patent Act of 1836, ch. 357, § 17, 5 Stat. 117 (1836).

11. *Id.* at § 14.

12. *Id.* at § 17.

13. Act of August 29, 1842, ch. 263, § 2, 5 Stat. 543 (1842).

patentee's damages as well as the infringer's profits.[14] An infringer's profits remained the primary award for relief in a suit at equity while a patentee's damages were the primary award in a suit in a court of law.[15]

The doctrine of apportionment in utility patent cases was adopted in 1884 by this Court in *Garretson v. Clark*,[16] which involved an improvement patent on a mop head. The patentee sought an award of the infringer's profits in a case in equity. The Master had recommended an award of only nominal damages because the patent was for an improvement, but the patentee's proof on damages was for the mop as a whole. That recommendation was adopted,[17] and this Court affirmed, observing that the patent owner "produced no evidence to apportion the profits or damages between the improvement constituting the patented feature and the other features of the mop. His evidence went only to show the cost of the whole mop, and the price at which it was sold."[18]

This decision coincided with the culmination of clashes in the carpet industry between an old-line New England business and a then-new Philadelphia concern, the Dobson brothers. The American carpet industry experienced a dramatic transformation during the middle decades

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14. Patent Act of 1870, ch. 230, §§ 55, 59, 15 Stat. 198 (1870).

15. *See, e.g., Burdell v. Denig*, 92 US. 716, 719-20 (1876).

16. 111 U.S. 120 (1884).

17. *Garretson v. Clark*, 10 F. Cas.40, 41 (C.C.N.D.N.Y. 1878).

18. 111 U.S. at 121.

of the nineteenth century.[19] Prior to then, the industry was composed primarily of individual weavers who used handlooms to produce ingrain carpets for local customers. Ingrain was a smooth-surfaced carpet in which the pattern was woven into the carpet. Erastus Bigelow invented and commercialized a series of power-driven looms in the late 1830s. Notably, Mr. Bigelow obtained a utility patent on a power loom for producing ingrains, which he licensed to New England manufacturers. After his patent expired, the industry turned to design patent protection.[20]

These facts provide context for the Court's 1885 and 1886 *Dobson* decisions, which were swiftly followed by congressional action in the form of the 1887 Act.[21] The 1885 decision consolidated three suits in equity for design patent infringement brought against John Dobson and James Dobson by the Hartford Carpet Co. and Bigelow Carpet Co. *See Dobson*, 114 U.S. 439.

The appellate court had awarded the patent holders the profits which they would have made on the sale of the quantity of carpets sold by the Dobsons. The Court reversed, relying on the apportionment rule announced in *Garretson*. *Dobson*, 114 U.S. at 445-46 ("The [Garretson rule] is even more applicable to a patent for a design than to one for mechanism. A design or pattern in ornamentation or shape appeals only to the taste through the eye, and is often a matter of evanescent caprice."). *Accord Dobson v. Dornan*, 118 U.S. 10, 17-18 (1886) (reversing award of

19. Du Mont, Legal History at 6-11

20. *Id.* at 6-12.

21. Act of 1887, ch. 105, 24 Stat. 387 (1887).

lost profits to the patentee based on quantity of carpet sold by the defendant).

C. The Act of 1887 Eliminated Apportionment

Congress swiftly reacted to the application of the *Dobson* applications of the apportionment rule to design patents. The House Report accompanying H.R. 8323 explicitly rejected the use of an apportionment rule as a limitation on an award of profits:

> It is expedient that the **infringer's entire profit on the article should be recoverable**, as otherwise none of his profit can be recovered, **for it is not apportionable**; and it is just that the entire profit on the article should be recoverable and by the patentee, for it is the design that sells the article, and so that makes it possible to realize any profit at all ...."

See H.R. Rep. No. 1966 at 2-3 (1886), reprinted in 18 Cong. Rec. 834 (1887) (emphasis added). Moreover, the House Report pointed directly to the 1885 *Dobson* decision as the reason for the need to change design patent law:

> It now appears that the design patent laws provide no effectual money recovery for infringement. This is the result of the statute, as applied to the peculiar character of property involved, in a test case decided April last by the Supreme Court of the United States. Since that decision the receipts of the Patent Office in the design department have fallen off upwards of 50 percent, and the average weekly issue of design patents has also fallen off just on half.

H.R. Rep. No. 1966 at 1 (1886), reprinted in 18 Cong. Rec. 834 (1887). The Senate Report accompanying S. 1813 contained comparable language: "[T]he complainant must clearly prove what part of his own damage or what part of defendant's whole profit on the article made and sold was directly due to the appearance of those articles ...."[22] Continuing, the Senate Report stated that it had been "abundantly shown to your committee ... that the proof thus called for can never be furnished."[23]

The House Report compared the design patent right to a trademark right as a means of recovering an investment in goodwill: "the patentee is entitled to all the good will the design has in the market, and so, after the analogy of trade-mark law, is entitled to all the profit the infringer made on the goods marked." *Id.*

Those two bills were passed by Congress and became the Act of 1887. The language of the statute was consistent with the intent expressed in the House and Senate Reports to eliminate apportionment as a requirement. In pertinent part, § 1 provided that:

> Any person violating the provisions, or either of them, of this section, shall be liable in the amount of two hundred and fifty dollars; and

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22. S. Rep. 206, 49th Cong., 1st Sess (Mar. 9, 1886) at 1-2 (emphasis in original), reprinted in Du Mont, Legal History, Appendix A.

23. *Id.* at 2. Isolated remarks made during the House floor debate, if taken out of context, might be raised to cloud the issue. *See* Du Mond, Legal History 6:39-6:41. Put in proper context, those isolated comments are inconsequential when compared against the clear language in both Senate and House reports.

> in case the total profit made by him from the manufacture or sale, as aforesaid, of the article or articles to which the design, or colorable imitation thereof, has been applied, exceeds the sum of two hundred and fifty dollars, he shall be further liable for the excess of such profit over and above the sum of two hundred and fifty dollars....

Section 2 explained that this grant of rights to recover statutory damages or "the total profits" of the infringer was complementary to the rights otherwise available to the owner of a design patent:

> [N]othing in this act contained shall prevent, lessen, impeach, or avoid any remedy at law or in equity which any owner of letters patent for a design, aggrieved by the infringement of the same, might have had if this act had not been passed ....

Id.

D. Section 289 Implements Congressional Intent to Award an Infringer's Entire Profits

Prior to 1946, the statutory precursor of the present § 284 generally gave patent owners the right to recover both what the owner of the patent lost by infringement (*i.e.*, damages) and what the infringer made (*i.e.*, profits).[24]

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24. In 1922, Congress revised the general remedies provision for patent infringement to allow "a reasonable sum" rather than nominal damages as the floor for actual damages. Act of Feb. 21, 1922, ch. 58, § 8, 42 Stat. 389, 392.

In 1946, Congress substantially altered the equitable relief provisions of the patent statute. Significantly, Congress eliminated the right to an accounting for an infringer's profits in courts of equity and changed the equitable damages remedy to "general damages which shall be due compensation for making, using or selling the invention, not less than a reasonable royalty therefor ...."[25] The legislative history of the 1946 Act reveals Congress' concern with the difficulties that had plagued the courts in apportioning the infringer's profits between that which was and that which was not attributable to the claimed invention.[26]

In 1964, the Court explained that the purpose of the 1946 change "was precisely to eliminate the recovery of profits as such and to allow recovery of damages only." *Aro Mfg. Co., Inc. v. Convertible Top Replacement Co., Inc.*, 377 U.S. 476, 505 (1964). By contrast, the Court explained that "[i]n the 1952 codification, §§67 and 70 of the 1946 Act were consolidated in the present § 284. The stated purpose was merely 'reorganization in language to clarify the statement of the statutes.' H.R. Rep. No. 1923, 82d Cong., 2d Sess., at 10, 29." *Id.*, at 505 n.20. There is nothing to indicate any different purpose in the codification of current § 289, despite some minor differences in wording. Notably, neither the 1946 Act nor the 1952 Act amended

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25. See Act of August 1, 1946, c. 726, § 1, 60 Stat. 778; 35 U.S.C. §70 (1946).

26. "[I]t is absolutely impossible to apportion the profits due to the invention, those being the only profits to which the patentee is entitled.... The only sound principle is to have the plaintiff recover the damages he can prove." H.R. Rep., No. 1587, 79th Cong., 1, at 3 (1946). *See also*, S.Rep. No. 1503, 79th Cong., 2 (1946).

or repealed the separate remedy for design patent owners created in 1887.

IV. Reliance on Explicit Language in Section 289 Is Justified by Evidence in Trademark and Copyright Law That Congress Conditions Infringement Remedies with Express Language Where It Chooses to Do So.

That Congress meant what it said in Section 289 – that infringers of design patents are liable for their "total profit" on the sold articles – is supported by the enactment of parallel remedies for federally-registered trademarks and copyrights. By providing trademark and copyright owners the remedy of an infringer's profits with specific and sometimes distinguishable terms, Congress has indicated that it knows how to require apportionment or apply other conditions when it wishes to do so.

In 1946, Congress repealed the remedy of infringer's profits for utility patent owners, but in that same year it provided that very remedy for trademark owners in enacting the Lanham Act. Under Section 1117(a) of Title 15, a trademark owner that proves a violation of its rights provided by Section 1114 can recover compensatory damages, costs, and the infringer's profits subject to the principles of equity.

The Lanham Act imposes other prescriptions and limitations on the remedy of a trademark infringer's profits. Under Section 1117(a), these include the following: (1) once the trademark owner proves the infringer's total sales, the infringer carries the burden to prove costs or deductions; (2) the court may adjust an inadequate or excessive profits

award to "enter judgment for such sum as the court shall find to be just, according to the circumstances of the case"; and (3) the award must constitute compensation and not a penalty. Congress has also distinguished the remedies for a Section 1114(1)(a) use in commerce of a mark that infringes a registered mark from the remedies for the Section 1114(1)(b) production of a mark that is intended to be used in commerce and that infringes a registered mark. Unlike Section 1114(1)(a) infringement, Section 1114(1)(b) infringement triggers remedies of the defendant's profits and damages only where there is proof that the defendant knew the infringing mark was intended to cause confusion, mistake or deception. Section 1114(2) provides a variety of provisions limiting the trademark owner's remedy to injunctive relief with respect to innocent infringement by a printer or by a newspaper or magazine publisher. In addition, Section 1114(2)(D) includes extensive safe-harbor provisions for domain name registration authorities.

In the Copyright Act, Section 504 provides that a copyright owner may elect an infringement recovery of its actual damages and any additional profits of the infringer, or instead an award of statutory damages. Thus, in Section 504(b) Congress authorized the copyright owner to recover

> the actual damages suffered by him or her as a result of the infringement, and any profits of the infringer **that are attributable to the infringement** and are not taken into account in computing the actual damages. In establishing the infringer's profits, the copyright owner is required to present proof only of the infringer's gross revenue, and the infringer is required to

> prove his or her deductible expenses and the elements of profit attributable to factors other than the copyrighted work.

Id. (Emphasis added.)

As is evident from this statute, Congress permitted copyright owners, as with trademark owners, to recover an infringer's profits, but it did so with the explicit requirement that recovery of the copyright infringer's profits is confined to those "that are attributable to the infringement." In addition, as in trademark law, the copyright statute also explicitly imposes on the infringer the burden of proving deductible expenses after the copyright owner proves gross revenues. This burden includes proof of "the return on investment shown to be attributable to its own enterprise, as distinct from the value created by the infringed work. *See Sheldon v. Metro-Goldwyn Pictures Corp.*, 309 U.S. 390, 402, 407 (1940) (equitably apportioning profits to account for independent contributions of infringing defendant)." *Petrella v. Metro-Goldwyn-Mayer, Inc.* 134 S. Ct. 1962, 1973 (2014). Congress imposed no such burden or requirement with respect to design patents.

In addition, the option of statutory damages as a copyright recovery is further evidence that Congress fashions the remedies for infringement according to policy determinations for the particular harm caused by the infringement. In Section 504(c), the Copyright Act sets out specific monetary limits within which a court or a jury may determine an amount of statutory damages considered to be just. *See Feltner v. Columbia Pictures Television, Inc.*, 523 U.S. 340 (1998). This statute "has

been interpreted to vest in the trial court broad discretion to determine whether it is more just to allow a recovery based on calculation of actual damages and profits, as found from evidence, or one based on a necessarily somewhat arbitrary estimate within the limits permitted by the Act." *F.W. Woolworth Co. v. Contemporary Arts, Inc.*, 344 U.S. 228, 231-232 (1952).

These provisions indicate that Congress acted intentionally and deliberately to implement the remedy it determined provided the appropriate relief for the specific form of intellectual property. Congress granted parallel, but not identical, remedies of the infringer's profits in design patent, trademark and copyright cases, although Congress eliminated that remedy for utility patent owners. Congress granted design patent owners the right to recover "to the extent of [the infringer's] total profit," 35 U.S.C. § 289, without any offset or apportionment of the types it applied in the trademark and copyright laws. Congress granted trademark registrants and copyright holders the right to recover the infringer's profits only under a variety of explicit conditions, including an apportionment requirement in copyright cases. All three legislative decisions were explicit, clear and intentional. This Court should not expand on or change the conditions that Congress so clearly spelled out.

V. The Policy Implemented by Congress in 1887 Remains Good Policy

The decision Congress made in 1887 to allow design patent owners to recover an infringer's total profits remains important today. The problematic nature of apportionment for design patent infringement with

respect to the design of a physical article is still as impractical today as it was in 1887, when Congress enacted the predecessor of Section 289, and in 1946, when Congress repealed the right of utility patent holders to recover an infringer's profits because of the difficulties presented by apportionment.

It bears emphasis that many of the run-of-the-mill design patent cases are about counterfeiting, which remains a major problem. In 1987, the International Trade Commission estimated that U.S. businesses lost between $8 billion and $20 billion a year to lookalikes. Todd J. Gilman, Attorney Puts Foot Down About Sneaker Patents; Avia Takes Shoe Pirates to Court to Protect Design, Wash. Post, July 20, 1987, at F03. In passing the Anticounterfeiting Consumer Protection Act of 1996, Congress elaborated on the impact of product piracy on society by stating "[t]oday, counterfeit products cost American businesses an estimated $200 billion each year. Counterfeiting is a drain on the American economy, on the Federal treasury, and costs American jobs." S. Rep. No. 104-177, at 1 (1995).

Designs are easy to copy. Design patent infringement is difficult to police. The incremental value added to purely utilitarian articles by "new, original and ornamental" designs, 35 U.S.C. § 171, is often inextricably intertwined with market demand and virtually impossible to quantify in a way that passes muster under this Court's *Daubert* test. The public policy decision codified in 1887 remains important today. The right to recover an infringer's profits is an important arrow in the bundles of rights granted to copyright holders, federal trademark registrants and design patent owners.

CONCLUSION

In view of the foregoing, AIPLA respectfully requests that the Federal Circuit decision be affirmed.

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IN THE

Supreme Court of the United States

SAMSUNG ELECTRONICS CO., LTD., *et al.*,

Petitioners,

v.

APPLE INC.,

Respondent.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF OF THE ASSOCIATION OF THE BAR OF THE CITY OF NEW YORK AS *AMICUS CURIAE* IN SUPPORT OF NEITHER PARTY

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TABLE OF CONTENTS

Page

TABLE OF CONTENTS i

TABLE OF CITED AUTHORITIES iii

I. QUESTION PRESENTED 1

II. STATEMENT OF INTEREST OF *AMICUS CURIAE* 1

III. SUMMARY OF ARGUMENT 2

IV. ARGUMENT 3

A. Section 289 provides design patent holders with "additional" remedies to section 284, not "alternative" remedies 3

1. *Existing case law does not sufficiently define the relationship between 35 U.S.C. §§ 284 and 289* 3

2. *The text of 35 U.S.C. § 289 and precedent from this Court do not prohibit concurrent recovery under sections 284 and 289* 4

3. *The Federal Circuit's recent decisions appear inconsistent with the structural relationship between 35 U.S.C. §§ 284 and 289* 6

Table of Contents

Page

4. *The "election" requirement is based on inconsistent precedent*. 8

B. Section 289 appears to authorize recovery along a sliding scale, from a statutory minimum of $250 up to the "extent" of the infringer's profits 10

V. CONCLUSION 14

TABLE OF CITED AUTHORITIES

Page

CASES

Aro Manufacturing Co. v. Convertible Top Replacement Co., 377 U.S. 476 (1964) 5, 10

Bergstrom v. Sears, Roebuck & Co., 496 F. Supp. 476 (D. Minn. 1980) 9

Braun Inc. v. Dynamics Corp. of Am., 975 F.2d 815 (Fed. Cir. 1992) 5, 6, 9

Catalina Lighting, Inc. v. Lamps Plus, Inc., 295 F.3d 1277 (Fed. Cir. 2002) ..... *passim*

Dobson v. Bigelow Carpet Co., 114 U.S. 439 (1885) 11

Dobson v. Dornan, 118 U.S. 10 (1886) 11

Ellipse Corp. v. Ford Motor Co., 461 F. Supp. 1354 (N.D. Ill. 1978), *aff'd*, 614 F. 2d 775 (1979), *cert. denied*, 446 U.S. 939 (1980) 5

Garretson v. Clark, 111 U.S. 120 (1884) 12

Georgia-Pacific Corp. v. U.S. Plywood Corp., 243 F. Supp. 500 (S.D.N.Y. 1965) 12

Cited Authorities

Page

Henry Hanger & Display Fixture Corp. of America v. Sel-O-Rak Corp., 270 F.2d 635 (5th Cir. 1959) 8-9, 10

Lucent Techs., Inc. v. Gateway, Inc., 580 F.3d 1301 (Fed. Cir. 2009) 5, 6

Nike, Inc. v. Wal-Mart Stores, Inc., 138 F.3d 1437 (Fed. Cir. 1998) 12

Nordock, Inc. v. Systems, Inc., 803 F.3d 1344 (Fed. Cir. 2015) 3, 7, 8, 9

STATUTES AND OTHER AUTHORITIES

35 U.S.C. § 284 ..... *passim*

35 U.S.C. § 289 ..... *passim*

Design Patent Act of 1887 10

Patent Act of 1952 12

H.R. Rep. No. 1966 ..... 11, 12, 13

Sup. Ct. R. 17 1

Sup. Ct. R. 37 1

Sup. Ct. R. 37.6 1

I. QUESTION PRESENTED

Where a design patent is applied only to a component of a product, should an award of infringer's profits be limited to those profits attributable to the component?

II. STATEMENT OF INTEREST OF *AMICUS CURIAE*

The Association of the Bar of the City of New York ("Association"), through its Committee on Patents, submits this amicus curiae brief in response to the Supreme Court's March 21, 2016 Order, granting Samsung Electronics, Inc.'s ("Samsung" or "Petitioner") petition for certiorari and setting forth the question presented above. The Association files this brief in accordance with this Court's Rule 37 in support of neither party.[1] The parties to this appeal have consented to the filing of this amicus brief.[2]

The Association is a private, non-profit organization of more than 24,000 members who are professionally involved in a broad range of law-related activities. Founded in 1870, the Association is one of the oldest bar associations in the United States. The Association seeks to promote reform in the law and to improve the administration of justice at the local, state, federal and international levels through its more than 150 standing and special committees. The

1. With regard to inquiries raised by Supreme Court Rule 37.6, no party's counsel authored this brief in whole or in part. No party's counsel or no person—other than amicus curiae, its members, or its counsel—contributed money that was intended to fund preparation or submission of this brief. Sup. Ct. R. 17.

2. Petitioner filed a blanket consent in this appeal on May 18, 2016, and Respondent provided its consent via letter dated May 24, 2016.

Committee on Patents ("Patents Committee") is a long-established standing committee of the Association, and its membership reflects a wide range of corporate, private practice and academic experience in patent law. The participating members of the Committees are dedicated to promoting the Association's objective of improving the administration of the patent laws.

III. SUMMARY OF ARGUMENT

Damages for patent infringement are generally awarded under 35 U.S.C. § 284 ("section 284"), which allows for an award of "damages sufficient to compensate for the infringement, but in no event less than a reasonable royalty... ." 35 U.S.C. § 289 ("section 289"), on the other hand, is styled as an "additional remedy" for infringement of a design patent, and allows for an award "to the extent of [the infringer's] total profit, but not less than $250." In addition, section 289 expressly provides that "nothing" in the section "shall prevent ... any other remedy which an owner of an infringed patent has under the provisions of this title... ."

Although there is no statutory basis for requiring the election of a single measure of monetary recovery for design patent infringement from among those set forth in sections 284 and 289, recent Federal Circuit case law appears to require just that, even in cases where both utility and design patents are asserted. *See Catalina Lighting, Inc. v. Lamps Plus, Inc.*, 295 F.3d 1277, 1291 (Fed. Cir. 2002). More recent case law appears to have taken this election requirement one step further and framed the award, where remedies have been quantified under both sections, as a forced selection of only one of "(1) total profits from the infringer's sales under § 289, or (2) damages in the form of the patentee's lost profits or a

reasonable royalty under § 284, or (3) $250 in statutory damages under § 289, whichever is greater." *Nordock, Inc. v. Systems, Inc.*, 803 F.3d 1344, 1353 (Fed. Cir. 2015). Because this strict "election" requirement appears unsupported by statute, this Court should clarify that, while there may be some cases in which an award of only the infringer's profits may serve to adequately compensate the patent owner under both provisions, a patent owner is not required to "elect" a single theory under one section to the exclusion of others.

Additionally, based on the allowance in section 289 of an award to the "extent" of an infringer's profits, this Court should clarify that that section allows for such an award to be on a sliding scale, ranging from the statutorily prescribed $250 minimum, up to the extent of the infringer's profits, with the precise amount of the award being a question of fact to be decided based on the circumstances of the case.

IV. ARGUMENT

A. Section 289 provides design patent holders with "additional" remedies to section 284, not "alternative" remedies.

1. *Existing case law does not sufficiently define the relationship between 35 U.S.C. §§ 284 and 289.*

Existing case law on design patent damages does not provide sufficient clarity as to how section 289 should be understood in light of section 284. The few rulings addressing this relationship have created some ambiguity as to whether section 289 is (a) supplementary to section 284, (b) strictly an alternative to section 284, or (c) some

combination of these two possibilities. Without clear guidance as to how section 289 can be applied in addition to—or instead of—section 284, courts and litigants are likely to face undue difficulty in determining the value of the rights granted in design patents.

2. *The text of 35 U.S.C. § 289 and precedent from this Court do not prohibit concurrent recovery under sections 284 and 289.*

While section 284 is tersely entitled "Damages," section 289 is styled as an "*Additional* remedy for infringement of design patent" (emphasis added). These captions suggest that remedies under section 289 can be awarded concomitantly with remedies under section 284, and that interpretation is bolstered by the second paragraph of section 289, which states (emphasis added):

> Nothing in this section shall prevent, lessen, or impeach *any other remedy* which an owner of an infringed patent has under the provisions of this title ...

Such "other remed[ies]" would seem to include all other remedies for patent infringement, including awards under section 284. Had Congress intended to have section 289 be the only remedy for design-patent infringement that a patent owner could pursue to the exclusion of other remedies, Congress could have characterized section 289 as an "alternative" remedy for design patents, rather than an "additional" one, and there would be no reason to expressly state that "other remed[ies]" remain available.

The concurrent availability of remedies under sections 284 and 289 is also supported by this Court's

understanding of the relationship between "damages" (the term used in section 284) and "profits" (the term used in section 289). In *Aro Manufacturing Co. v. Convertible Top Replacement Co.*, 377 U.S. 476 (1964), this Court held that "damages" and "profits" are separate and independent measures of recovery, in that "damages" refers to "what the owner of [a] patent loses," whereas the term "profits" refers to "what the infringer makes." *Id.* at 505. Section 284 "damages" are routinely quantified by the *patent owner's* lost profits, i.e., the profits it would have made on the sales but for the infringement, with the statutory-prescribed floor for such an award being "in no event less than a reasonable royalty." *Lucent Techs., Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1324 (Fed. Cir. 2009); *see also Aro*, 377 U.S. at 508. On the other hand, section 289 allows an award of the *infringer's* profits, and this Court has confirmed that such remedy is not available under section 284. *Aro*, 377 U.S. at 506; *see Ellipse Corp. v. Ford Motor Co.*, 461 F. Supp. 1354, 1378-79 (N.D. Ill. 1978), *aff'd* 614 F. 2d 775 (1979), *cert. denied*, 446 U.S. 939 (1980). While the trebling of damages awarded under section 284 is permitted by statute, no similar enhancement of recovery is allowed under section 289. *See Braun Inc. v. Dynamics Corp. of Am.*, 975 F.2d 815, 824 (Fed. Cir. 1992).

As such, because an award of the patent owner's damages is not necessarily synonymous with an award of the infringer's profits, and vice versa, simultaneous awards of remedies under sections 284 and 289 would not necessarily run afoul of the rule against double recovery codified in section 289, which prohibits a patent owner from "twice recover[ing] the *profit* made from the infringement." 35 U.S.C. § 289 (emphasis added).[3]

3. While an infringer's profits may not be awarded outright under section 284, the infringer's profit projections can be a factor in

3. *The Federal Circuit's recent decisions appear inconsistent with the structural relationship between 35 U.S.C. §§ 284 and 289.*

The Federal Circuit has long taken the view that the owner of a design patent must "elect" between a remedy under section 284 and a remedy under section 289. *See Braun*, 975 F.2d at 824 ("Braun *elected* to recover Waring's total profits under 35 U.S.C. § 289") (emphasis added).[4] Notably, the Federal Circuit has maintained the requirement even where a single product infringes a utility patent in addition to a design patent. In particular, the Federal Circuit held in *Catalina Lighting, Inc. v. Lamps Plus, Inc.*, 295 F.3d 1277 (Fed. Cir. 2002), where damages were sought for infringement of both a utility patent and a design patent, that the award of a remedy under section 289 for design patent infringement precluded any award under section 284:

> Lamps Plus [the owner of the infringed design patent] is entitled to damages for each

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a reasonable royalty calculation under that section. *See, e.g., Lucent*, 580 F.3d at 1324 (describing the "analytical method" for reasonably royalty calculations, based on an "infringer's projections of profit for the infringing product"). Thus, while simultaneous awards do not necessarily implicate the section 289 prohibition against double recovery, that provision should still be considered in formulating the overall award to remedy infringement.

4. In referring to "election," the Federal Circuit did not clarify whether the choice between sections 284 and 289 is up to the patent owner, or whether a court may instead independently determine which single measure of recovery is appropriate, after damages have been quantified and put to the finder of fact.

> infringement, but once it receives profits under § 289 for each sale, Lamps Plus is not entitled to a further recovery from the same sale because the award of infringer profits under § 289 also constitutes "damages adequate to compensate for the infringement [under section 284] ..."

295 F.3d at 1291. The Federal Circuit again upheld the requirement of election in *Nordock, Inc. v. Systems, Inc.*, 803 F.3d 1344 (Fed. Cir. 2015), which also involved the simultaneous infringement of a design patent and a utility patent:

> Accordingly, a design patentee can recover *either* (1) total profits from the infringer's sales under § 289, or (2) damages in the form of the patentee's lost profits or a reasonable royalty under § 284, or (3) $250 in statutory damages under § 289, whichever is greater.

803 F.3d at 1353 (emphasis added). The *Nordock* formulation seems to take the election requirement one step further, and frames the award as a mandated selection between the three listed bases of recovery, "whichever is greater," *id.*, with the further limitation that section 284 damages are available "[o]nly where § 289 damages are not sought, or are less than would be recoverable under § 284." *Id.* at 1357.

The Federal Circuit's "election" requirement, as articulated in *Catalina Lighting* and *Nordock*, and the mandated selection of *Nordock*, does not appear to be supported by the text or any legislative history of sections 284 and 289. While each of sections 284 and 289

may contain a "whichever is greater" formulation for the awards available internally under each section (i.e., the greater of lost profits or reasonably royalty under section 284, and greater of the infringer's profits or $250 under section 289), there is no statutory basis for extending the "whichever is greater" rubric across sections. Moreover, to the extent that the *Catalina Lighting* court found that that "award of infringer profits under § 289 also constitutes damages adequate to compensate for [ ] infringement," 295 F.3d at 1291, the Federal Circuit did not make clear whether that finding was a case-specific factual determination, or, rather, a general rule to be applied when evaluating damages awarded for utility and design patent infringement arising from a common nucleus of facts. Because section 289, with its award of an infringer's profits, is expressly reserved for *design*-patent infringement, it is unclear that it can satisfy the damages award allowance of section 284 as well.[5] However, the Federal Circuit, in *Catalina Lighting*, seemed to make precisely such a use of section 289, and the *Nordock* court did nothing to overturn this outcome.

4. *The "election" requirement is based on inconsistent precedent.*

The notion that a patent owner must "elect" between measures of monetary recovery under sections 284 and 289 can be traced to the Fifth Circuit's decision in *Henry*

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5. Perhaps the Federal Circuit's ruling in *Catalina Lighting* can be understood as an award of the infringer's profits, and then a finding that a willing licensor would agree to a zero reasonable royalty if offered a willing licensee's profits. While it is unclear whether such a result is permissible, such a damages formulation should be made explicit.

Hanger & Display Fixture Corp. of America v. Sel-O-Rak Corp., 270 F.2d 635 (5th Cir. 1959), in which that appeals court stated that the award of an infringer's profit for design patent infringement would preclude an award of a "royalty" for the same infringement. *Id.* at 644-45 (finding that "a royalty in addition to profits should not have been awarded since the profit was in excess of the minimum as fixed by [section 289]."). The outcome of *Henry Hanger* was then seemingly adopted by *Bergstrom v. Sears, Roebuck & Co.*, 496 F. Supp. 476 (D. Minn. 1980) as a general requirement for election between section 284 and 289. *Bergstrom*, 496 F. Supp. at 494 (citing *Henry Hanger* and holding that "[a] design patentee cannot recover both damages under 35 U.S.C. [section] 284 and the profits of the infringer under 35 U.S.C. [section] 289."). The rationale then made its way into Federal Circuit jurisprudence, with *Braun*, *Catalina Lighting* and *Nordock* citing to the aforementioned cases as standing for the election proposition. *Braun*, 975 F.2d at 824 n.16 (citing *Henry Hanger*); *Catalina Lighting*, 295 F.3d at 1291 (citing *Henry Hanger* and *Bergstrom*); *Nordock*, 803 F.3d at 1355 n.1 (citing *Bergstrom*).

That reliance is questionable. In its discussion of the remedy awarded in *Henry Hanger*, the Fifth Circuit suggested that section 289 authorizes an award of "compensatory damages." *Henry Hanger*, 270 F.2d at 643. However, this characterization of section 289 appears inconsistent with the text of that provision, which refers to the infringer's "profit," not the patent owner's "damages." The *Henry Hanger* court provided no explanation for conflating "damages" and "profits;" it remarked only that "the infringer's profits are taken as the measure of the plaintiff's loss." *Henry Hanger*, 270

F.2d at 644. That position, however, directly contravenes this Court's subsequent holding in *Aro* that "damages" and "profits," when used as statutory terms, are distinct and non-interchangeable measures of recovery. *Aro*, 377 U.S. at 505.

Moreover, despite its apparent reliance on section 289 as the basis for the remedy awarded in that case, the Fifth Circuit also muddied the waters regarding the basis of its award in *Henry Hanger*, by suggesting that section 284 also applied to design patents. *Henry Hanger*, 270 F.2d at 644 ("So also under 35 U.S.C.A. § 284, which applies to design patents"). That remark reveals some uncertainty as to whether the Fifth Circuit believed that remedies for design-patent infringement should be governed solely by section 289, or by some combination of sections 284 and 289. That ambiguity being relevant to and underlying the question presented in this appeal, this Court should resolve the issue by clarifying that there is no requirement that a rights holder "elect" to proceed under section 289 to the exclusion of 284.

B. Section 289 appears to authorize recovery along a sliding scale, from a statutory minimum of $250 up to the "extent" of the infringer's profits.

The roots of section 289 can be traced to the Design Patent Act of 1887, where Congress provided for a recovery for design patent infringement as follows:

> Any person violating the provisions, or either of them, of this section, shall be liable in the amount of two hundred and fifty dollars; and in case the total profit made by him from the manufacture or sale, as aforesaid, of the article or articles to which the design, or colorable imitation thereof, has been applied, exceeds the sum of two hundred and fifty dollars, he shall be further liable for the excess of such profit over and above the sum of two hundred and fifty dollars; and the full amount of such liability may be recovered by the owner of the letters patent...

The House Report containing the relevant legislative history reflects Congressional concern that preceding decisions had overly curtailed design patent recovery to where "the design patent laws provide no effectual money recovery for infringement." H.R. Rep. No. 1966, at 1 (1886).[6] As such, the 1886 addition's simplicity reflected the Congressional intent that "it is expedient that the infringer's entire profit on the article should be recoverable," with Congress also expressing concern for instances where "it is the design that sells the article." *Id.*

---

6. Congressional amendment of the patent laws in this regard was in direct response to a series of cases involving carpet designs where this Court awarded only nominal damages for infringement of a complex carpet design given that the patentee's were unable to show the portion of their losses attributable to the patented design itself as opposed to the carpet as a whole. H.R. Rep. No. 1966, at 1 (1886) (referencing *Dobson v. Dornan*, 118 U.S. 10 (1886); *Dobson v. Bigelow Carpet Co.*, 114 U.S. 439 (1885)).

at 2-3.[7] Since 1870, Congress has not disturbed the rule that design patent holders may seek an infringer's profits as a measure of damages, and this measure of recovery has survived the recodification of the patent laws in 1946,[8] and again in 1952. *See Nike, Inc. v. Wal-Mart Stores, Inc.*, 138 F.3d 1437, 1441-444 (Fed. Cir. 1998).

The modern version of section 289, first appearing in the Patent Act of 1952, contains the statutory language awarding a monetary recovery for design patent infringement "to the extent of [the infringer's] total profit." While there appears to be no legislative history explaining the change from the 1886 language (which

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7. Note that, prior to 1886, this Court had interpreted the Patent Act to require that the patent owner "in every case, give evidence tending to separate or apportion the defendant's profits and the patentee's damages between the patented feature and the unpatented features." *Garretson v. Clark*, 111 U.S. 120, 121 (1884).

8. The 1946 Act, in authorizing recovery in cases of infringement, provided only for "general damages which shall be due compensation for making, using, or selling the invention, not less than a reasonably royalty therefore," but made no mention of a right to recover infringer's profits. *Georgia-Pacific Corp. v. U.S. Plywood Corp.*, 243 F. Supp. 500, 518 (S.D.N.Y. 1965). However, the House Report accompanying the 1946 Act stated that, "the bill would not preclude the recovery of profits as an element of general damages." *Id.* at 526 (quoting the House Report). This view was consistent with early Supreme Court decisions and the decisions of other courts holding that an infringer's profits were a measure of the patentee's damages. *See Nike, Inc. v. Wal-Mart Stores, Inc.*, 138 F.3d 1437, 1442 (Fed. Cir. 1998) ("Calling the infringer's profits 'an element of general damages' was not unusual, for it reflected common usage as well as the history wherein both the patentee's losses and the infringer's gain were measures of recovery for infringement for utility as well as design patents.").

created "further liability for the excess of such profit" over $250, and made clear that "the full amount of such liability may be recovered") to the modern "extent" language, the provisions seem easily reconcilable. Congress in 1886 expressed its intent to clarify that the entirety of the infringer's profits may be "recoverable," especially in cases where "it is the design that sells the article." H.R. Rep. No. 1966, at 1-2. That clarification may no longer have been necessary by 1952, when Congress instead set forth a recovery scheme for design patent infringement ranging from the longstanding statutory floor of $250, up to "the extent" of the infringer's profits. While the full amount of the infringer's profits may well be recoverable, such as in cases where "it is the design that sells the article," determining the "extent" of the profits is an exercise well within the province of the finder of fact.

As such, this Court should clarify that, based on the wording of the statute, a design patent holder's monetary recovery under section 289 should be on a sliding scale from $250 up to the extent of the infringer's profits, with the precise value being determined based on the facts of each particular case.

V. CONCLUSION

For the reasons set forth above, the Association believes that this Court should make clear the relationship between sections 284 and 289 of the Patent Act, and clarify that a recovery of an infringer's profits under section 289 does not preclude an award under section 284. This Court should further clarify that because an award under section 289 is allowed up to "the extent" of the infringer's profits, a determination of the "extent" of the infringer's profits to which the patent owner is entitled is a question of fact to be evaluated on a case-by-case basis.

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IN THE

Supreme Court of the United States

SAMSUNG ELECTRONICS CO., LTD., *et al.*,

Petitioners,

v.

APPLE INC.,

Respondent.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF FOR BISON DESIGNS, LLC; DECKERS OUTDOOR CORPORATION; DESIGN IDEAS, LTD.; KOHLER CO.; KRC CAPITAL B.V.; LUTRON ELECTRONICS, INC.; METHOD PRODUCTS, PBC; NOVO NORDISK, INC.; NUELLE, INC.; NUVASIVE, INC.; OAKLEY, INC.; SUN PRODUCTS CORPORATION; SZ DJI TECHNOLOGY LTD. AND THULE GROUP AS *AMICI CURIAE* IN SUPPORT OF RESPONDENT

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TABLE OF CONTENTS

Page

TABLE OF CONTENTS i

TABLE OF CITED AUTHORITIES iv

INTEREST OF *AMICI CURIAE* 1

SUMMARY OF ARGUMENT 7

ARGUMENT 8

I. Design Patent Protection Is Very Important . . . 8

A. Design Patent Protection Is Different from Other Forms of Intellectual Property Protection 10

1. Utility Patents 10

2. Copyrights and Trade Dress . . . 13

B. Design Patents Are Intended to Stop Copycats 15

II. Section 289's Total Profit Rule Is an Appropriate Remedy for Design Patent Infringement 18

A. Congress Clearly Intended to Provide a Special Remedy for Design Patent Infringement 19

Table of Contents

Page

B. *Amici*'s Experience with Design and Design Patents Confirms that Congress's Judgment in 1887 Is Still Good Policy Today 23

C. Identifying the Article of Manufacture Which Appropriates the Patented Design Is a Question of Fact. 29

III. Petitioner Has Not Identified Convincing Policy Reasons Favoring Apportionment.... 32

A. An Innocent Infringer of a Design Patent Is a Fiction..... 33

B. Design Patent Trolls Are Not a Real-World Problem 34

C. Hypotheticals Posited by Petitioner and Its *Amici* Are Unrealistic..... 35

D. Design Patents for Portions of a Product Are Important – Widely Used Design Patent Amendment and Continuation Practice Facilitates Protection for Portions of Products 37

E. Effective Design Patent Enforcement Will Stimulate Innovation and Decrease Litigation. ... .39

Table of Contents

Page

F. Hypotheticals Posited by Petitioner About Multiple Recovery are Exaggerated 41

CONCLUSION 43

TABLE OF CITED AUTHORITIES

Page

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Apple Inc. v. Samsung Electronics Co., Ltd.,
786 F.3d 983 (Fed. Cir. 2015) 29

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222 F. 902 (2d Cir. 1915) 31

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114 U.S. 439 (1885).....19, 20, 21, 22

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118 U.S. 10 (1886). 19, 20, 21, 22

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514 U.S. 159 (1995) 14, 15

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136 S. Ct. 1823 (2016).....14

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Page

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INTEREST OF *AMICI CURIAE*

Amici curiae represent a cross-section of American industry engaged in the manufacture and sale of a wide variety of consumer products.[1]

Consumer products are a major driving force of the U.S. economy. Indeed, the consumer products market in the United States, the largest in the world, was estimated to be a $437.8 billion in 2015.[2] This market only continues to grow; the Personal Consumption Expenditures from consumer spending have steadily increased since the mid-1960's and in 2013 accounted for 68% of the U.S. GDP.[3] This trend is likely to continue, considering the boom in development of targeted advertising in social media, more products being on the market now than ever before, and more opportunities for start-ups to innovate new products and compete in the marketplace.[4] The effects of a robust

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1. *Amici* affirm that no counsel for a party authored this brief in whole or in part and that no person other than *amici* or their counsel have made any monetary contributions towards the preparation and submission of this brief. The parties have consented to the filing of this brief; their written consents are on file with Clerk.

2. *Consumer Goods Spotlight: The Consumer Goods Industry in the United States*, SelectUSA, https://www.selectusa.gov/consumer-goods-industry-united-states. (last visited July 11, 2016).

3. Federal Reserve Bank of St. Louis, *Personal Consumption Expenditures/Gross Domestic Product*, https://fred.stlouisfed.org/graph/?g=hh3. (last visited Jul. 11, 2016).

4. Christopher Mims, *Why There Are More Consumer Goods Than Ever*, Wall St. J. (Apr. 25, 2016, 12:01 AM), http://

consumer products market also contributes to job creation in all sectors of the economy,[5] since the market spans a wide breadth of areas; everywhere from appliances to processed foods.[6] The consumer goods market is also a leader in investing in marketing research and branding, as well as product innovation.[7]

Bison Designs, LLC was established in 1987 to produce belts manufactured from climbing webbing. It originated the process by which patterns could be woven into webbing and manufactures all of its belts in Longmont, Colorado. Over the years, Bison's product line has expanded to include a large variety of pet accessories, paracord survival accessories, unique & custom aluminum accessories (including carabiners and bottle openers), and chalk related products.

Deckers Outdoor Corporation designs, markets and distributes innovative footwear, apparel and accessories developed for both everyday casual lifestyle use and high performance activities. Deckers products are sold in more than fifty countries and territories through select department and specialty stores, Company-owned and operated retail stores, and select online stores. Started in 1973 by a University of California, Santa Barbara student

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www.wsj.com/articles/why-there-are-more-consumer-goods-than-ever-1461556860

5. Miltra Toossi, *Consumer spending: an engine for U.S. job growth*, Bureau of Labor Statistics, http://www.bls.gov/opub/mlr/2002/11/art2full.pdf (last visited Jul. 11, 2016).

6. SelectUSA, *supra*.

7. *Id.*

who began making and selling sandals at craft fairs along the West Coast, Deckers has grown into a global company known for its five lifestyle brands: Teva®, Sanuk®, Mozo®, Ahnu®, Tsubo® and Hoke One One®.

Design Ideas, Ltd., based in Springfield, Illinois, is a relatively small, family-run business that introduces dozens of strikingly designed consumer products each year. Design Ideas owns numerous design patents covering a variety of household products such as candle holders, placemats, decorative gel appliqués, and various metal mesh products including the widely popular Mesh-elfa® storage baskets sold through The Container Store®. Many of their products are copied by unscrupulous companies and then sold through U.S. big box retailers. Design patents play a critical role in the protection of their products.

Founded in 1873 and headquartered in Kohler, Wisconsin, Kohler Co. is one of America's oldest and largest privately held companies. With more than 30,000 associates and more than 50 manufacturing locations worldwide, Kohler Co. is a global leader in the manufacture of kitchen and bath products; engines and power systems; premier furniture, cabinetry and tile. Kohler Co. is recognized for its design, craftsmanship and innovation, all knit together by uncompromising quality. A long history of Kohler Co. design and innovation is backed by 1806 design patents and 649 utility patents awarded by the U.S. Patent and Trademark Office, and design patents have played a significant role in protecting the company's products.

KRC Capital B.V. is an independent private equity firm that focuses on businesses in the lifestyle segment. In its fashion and leisure companies, design patents play an important role. KRC bridges the gap between entrepreneurial and institutional expertise through deep involvement in its subsidiary companies, while combining a keen understanding of branding and the lifestyle segment, a powerful global network, and a dedicated team of industry specialists. To KRC, design is the ultimate brand differentiator: it brings forth the vision of the company, its values and its product uniqueness. It believes that if design patents are not respected, all products will become commodities.

Lutron Electronics, Inc. leads the market in high-quality lighting controls that range from individual dimmers to total light management systems that control entire building complexes. Lutron was founded in the early 1960s by Joel Spira, a young physicist whose first invention in the late 1950s – a simple rotary dimmer that can still be found on many dining-room walls today – marked the birth of the lighting control industry. Today Lutron holds over 2,700 worldwide patents, including a substantial portfolio of U.S. design patents. In almost fifty years of innovation, Lutron has invented hundreds of lighting control devices and systems, and expanded their product offering from two products to 15,000. The company has advanced the technology of lighting control while maintaining top market position by focusing on exceptional quality and design.

Founded in 2000, Method Products, PBC is the pioneer of premium planet-friendly and design-driven home, fabric and personal care products. Method can be found in more

than 40,000 retail locations throughout North America, Europe, Australia and Asia. Method, headquartered in San Francisco, is part of the people against dirty family, which also includes Ecover, the European-based line of ecological cleaning products. Method has significant experience with and supports a strong and effective United States design patent system.

Novo Nordisk, Inc. is the world's leading diabetes care company, built on a foundation of scientific innovation and patient-centered care. The company holds leading positions in hemophilia care, growth hormone therapy, and hormone replacement therapy. Diabetes treatments account for a large majority of Novo Nordisk's business. Novo Nordisk works with doctors, nurses, and patients, to develop products for self-managing diabetes conditions, many of which are protected by U.S. design patents.

Nuelle, Inc. is a sexual wellness and intimate care company focused on addressing women's sexual health in a mainstream, wellness-oriented, and female-friendly fashion. Nuelle has worked closely with experts in women's sexual medicine and wellness including physicians, sex therapists, physical therapists, and psychologists, to identify needs and continuously hone its products and education, based on direct feedback from and testing by real women. Nuelle is committed to providing reliable information and elevating the conversation around women's sexual health and intimate care.

NuVasive, Inc. is a medical device company focused on developing minimally disruptive surgical products for the spine. NuVasive is the third largest medical device company in the global spine industry. It features over

ninety products spanning lumbar, thoracic, and cervical applications, neuromonitoring services, and a biologics portfolio. Its products have been used in hundreds of thousands of spine surgeries. Design patents have played an important role in protecting the company's products.

Oakley, Inc. is a sport and lifestyle brand that blends science and art to redefine product categories by rejecting the constraints of conventional ideas. Founded in 1975 and headquartered in Southern California, today the company is recognized as one of the most coveted brands in performance technology and fashion. Decades of Oakley innovation have led to a full array of market-leading products including performance apparel and accessories, prescription eyewear, footwear, watches and electronics. Awarded more than 750 patents and 1400 trademarks, Oakley today is a global icon offering products to consumers in more than 100 countries. It depends heavily on a strong U.S. design patent system to protect its design creations.

The Sun Products Corporation, headquartered in Wilton, Connecticut, is a leading provider of laundry detergent, fabric softeners and other household products. With annual sales of approximately $1.6 billion, Sun's portfolio of products are sold under well-known brands that include all®, Snuggle®, Wisk®, Sun®, Surf®, and Sunlight®. In addition, Sun Products is the brand-building partner and supplier for many retailers for both laundry and dish products. Sun Products relies on an effective U.S. design patent system to protect its many innovative designs from copycats.

SZ DJI Technology Ltd. (DJI) designs and manufactures unmanned aerial vehicles for aerial photography and videography, gimbals, flight platforms, cameras, propulsion systems, camera stabilizers, and flight controllers. Headquartered in Shenzhen, DJI has grown from a single small office in 2006 to a global workforce of over 3,000 with worldwide offices. DJI is a privately owned and operated company, which focuses on supporting creative, commercial, and nonprofit applications of their patented technology.

Thule Group is a world leader in products that make it easy to bring the things you care for – easily, securely and in style – when living an active life. Thule offers products within two segments: Outdoor & Bags (*e.g.* equipment for cycling, water, and winter sports, roof boxes, bike trailers, baby joggers, laptop and camera bags, backpacks and cases for mobile handheld devices) and Specialty (pick-up truck tool boxes). Their products are sold in 139 markets globally. Thule depends upon effective U.S. design patent remedies to deter counterfeiters of its unique product designs.

SUMMARY OF ARGUMENT

The importance of design patents is hard to overstate. Without effective design protection, the visually striking products of innovative companies could be copied with impunity. It is the total profit remedy of Section 289 which gives teeth to design patents by bringing design predators – that have no investment in design innovation, research and marketing – to the negotiating table to settle disputes. This is especially critical for small businesses which do not have the resources of large, big box retailers whose business model is "first-to-be-second" with respect to popular products.

As found by the Federal Circuit below, passage of Section 289 by Congress clearly removed apportionment from the calculus of determining total profit of the article of manufacture to which a patented design has been applied. Determination of the article of manufacture is a question of fact, and the Federal Circuit treated it as such in affirming the jury's award of total profits on the sale of Petitioner's infringing smartphones.

Because courts over the years have shown an ability to properly deal with cases where the article of manufacture is not necessarily the entire product sold to consumers, adoption of factors for making such a determination is not necessary.

The fearful outcomes posited by Petitioner and its *amici* are speculative, unrealistic and grossly exaggerated. Moreover, they have not occurred in the nearly 130 years that the total profit rule has been on the books.

ARGUMENT

I. Design Patent Protection Is Very Important

Design patents are critically important to protect the appearance of a new consumer product both upon market entry and for a sufficient time thereafter for the design innovator to recover its investment in designing and marketing the product. The appearance of a particular product often represents the very image of a company such that it can embody the company's reputation. See, for example, the following design patents covering the Porsche 911, the original Coca-Cola bottle, and the Fender guitar.

Des. 199,433

Patented Oct. 27, 1964

199,433

AUTOMOBILE

Ferdinand Alexander Porsche, Jr., Duttlingen, Kreis Boblingen, Germany, assignor to Firma Dr.-Ing. h.c.F. Porsche K.G., Stuttgart-Zuffenhausen, Germany

Filed Nov. 14, 1963, Ser. No. 77,436

Claims priority, application Germany Sept. 5, 1963

Term of patent 14 years

(Cl. D14—3)

FIG 1

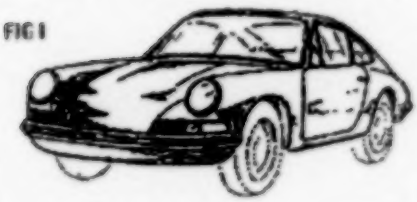
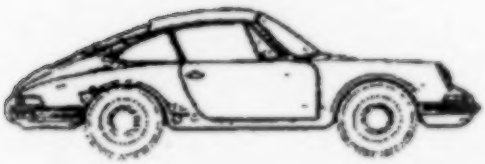


FIG.2



48,160.

Patented Nov. 16, 1915.

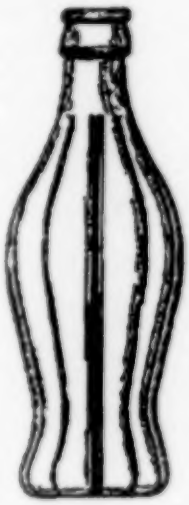
DESIGN.

A. SAMUELSON.

BOTTLE OR SIMILAR ARTICLE.

APPLICATION FILED AUG. 18, 1915.

FIG. 1.



Des. 164,227

Patented Aug. 14, 1951

164,227

GUITAR

Clarence L. Fender, Fullerton, Calif.

Application April 23, 1951, Serial No. 14,831

Term of patent 14 years

(Cl. D56—9)

Copying the appearance of a company's product can therefore be particularly pernicious, especially considering the ease with which a legitimate competitor can avoid infringing a design patent by innovating its own designs. The problem of copycats is endemic, threatening innovation, and the speed with which products can be copied is truly challenging for innovators.[8]

A. Design Patent Protection Is Different from Other Forms of Intellectual Property Protection

Design patents cover different subject matter and provide a different scope of protection than provided by other types of intellectual property.

1. Utility Patents

Both design patents and utility patents are governed by Title 35, yet they are otherwise fundamentally different. Utility patents protect structural and functional features of useful machines and manufactures generally without regard to how they look, while design patents protect the look or appearance of articles of manufacture without regard to their utility.[9]

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8. Elizabeth Ferrill & E. Robert Yoches, *IP Law and 3D Printing: Designers Can Work Around Lack of Cover*, Wired (Sept. 25, 2013) http://www.wired.com/insights/2013/09/ip-law-and-3d-printing-designers-can-work-around-lack-of-cover/.

9. 35 U.S.C. § 101; 35 U.S.C. § 171; PTO, *Manual of Patent Examining Procedure (MPEP)* § 1502.01 (rev. 7th ed. 2015).

This fundamental difference is manifested in several ways, the most significant of which is their scope of protection.[10] The scope of a design patent is defined primarily by the product design illustrated in its drawings.[11] In contrast, the scope of a utility patent is defined by claims that are set forth in numbered paragraphs at the end of the patent that describe the invention in words.[12]

Thus, a utility patent protects a useful invention which may be embodied in a number of differently looking products, while a design patent protects only the illustrated appearance of the particular product represented in the drawings of the patent, rather than the underlying structure or function of the product.[13]

As an example, consider two design patents (D274,574 and D284,420) and one utility patent (4,372,058), each covering a portion of an athletic shoe, i.e., an outsole, that were produced by the same company, Pensa, Inc., d/b/a Avia:

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10. 35 U.S.C. §§ 171-173; 35 U.S.C. § 289.

11. MPEP § 1504.04.

12. 35 U.S.C. § 112(b).

13. *Lee v. Dayton-Hudson Corp.*, 838 F.2d 1186, 1188 (Fed. Cir. 1988).

[11] **Patent Number: Des. 274,574**
[45] **Date of Patent: .. Jul. 10, 1984**

[54] **BOTTOM AND SIDE PORTIONS OF A SHOE SOLE**

[75] Inventor: Jerry D. Stubblefield, Portland, Oreg.

[73] Assignee: Penn, Inc., Tigard, Oreg.

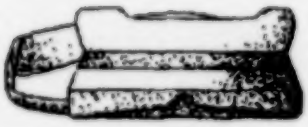
[11] **Patent Number: Des. 284,420**
[45] **Date of Patent: .. Jul. 1, 1986**

[54] **SHOE SOLE**

[75] Inventor: Jason K. Tung, Beaverton, Oreg.

[73] Assignee: Penn, Inc., Portland, Oreg.

FIG. 5

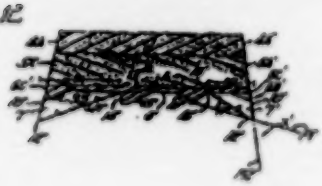


[11] **Patent Number: 4,372,058**
[45] **Date of Patent: Feb. 8, 1983**

[76] Inventor: Jerry D. Stubblefield, 12225 NW. Big Fir Ct., Portland, Oreg. 97219

Fig. 11

Fig. 12



The '058 utility patent claims the structure and function of a concave shock-absorbing outsole regardless of the appearance of the particular outsole within which it is incorporated. The D'574 and D'420 design patents protect the appearance of the particular outsoles shown in their respective drawings. The claims of the utility patent cover both of the outsoles shown in the two design patents, but the two design patents do not cover outsoles that are not substantially the same as the outsoles shown in their respective patent drawings.

2. Copyrights and Trade Dress

Although industrial designs can in some instances be protected by both copyright and design patents, those forms of protection differ in that copyright requires a design work to have only a minimum level of originality, while design patents require the design to meet significantly higher statutory standards of ornamentality, novelty, and non-obviousness.[14] The requirements for rigorous examination at the USPTO result in an issued design patent that has a presumption of validity.[15] Copyrights, on the other hand, are simply registered without substantive examination, such that the originality requirement is not tested until the copyright is litigated.[16] Moreover, copyright for designs is very limited in that it may be secured for "the design of a useful article ... only if ... such design incorporates pictorial, graphic, or sculptural features that can be identified separately from, and capable of existing independently of, the utilitarian aspects of the article," 17 U.S.C. § 101.

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14. 35 U.S.C. §§ 102-103; 35 U.S.C. § 171.

15. 35 U.S.C. § 282(a).

16. *See* U.S. Copyright Office, *Compendium of U.S. Copyright Office Practices* § 310 (3d ed. 2014).

Trade dress rights also exist for product designs, but by policy trade dress is intended to guard against consumer confusion rather than promote innovation in appearance as with design patents. Trade dress only protects designs which have acquired a distinctiveness which serves to identify the product with its manufacturer or source.[17] Additionally, the product design must be non-functional to be protectable as trade dress.[18] A product feature is functional, and thus not protectable as trade dress, if the feature is essential to the use or purpose of the product, or affects the cost or quality of the product.[19] The existence of a utility patent on a product feature is strong evidence that the design for such feature is functional.[20] Since the term of a protected trade dress can be perpetual, courts set a particularly high bar for establishing distinctiveness and non-functionality.[21]

Due to the difficulty of meeting the separability requirement for useful articles in copyright law,[22] and the high bar established by the courts to create protectable

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17. *Wal-Mart Stores, Inc. v. Samara Bros.*, 529 U.S. 205, 211 (2000).

18. *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 164 (1995).

19. *Id.* at 165.

20. *Traffix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 29-30 (2001).

21. *Qualitex*, 514 U.S. at 165.

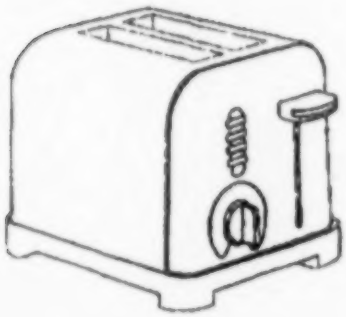
22. *See Varsity Brands, Inc. v. Star Athletica, LLC*, 799 F.3d 468, 481-82 (6th Cir. 2015), *cert. granted*, 136 S. Ct. 1823 (2016).

trade dress rights,[23] design patents, created by Congress over 150 years ago, have become the principal intellectual property right effective against a company that copies the shape/appearance of a product.[24]

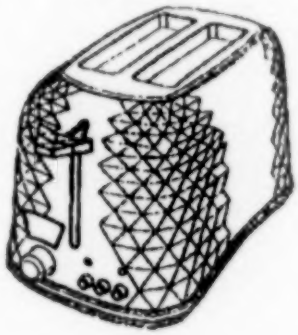
B. Design Patents Are Intended to Stop Copycats

Design patent infringement, while effective against copycats, is avoidable. Design patent protection does not prevent a competitor from designing a product that performs substantially the same function as a patented design, but does not look like it and therefore does not infringe. Here are some examples of designs that look quite different but nevertheless perform similar functions:

U.S. Pat.	D489,564
Date:	May 11, 2004
For:	TOASTER
Assignee:	Conair Corporation



U.S. Pat.	D686,865
Date:	July 30, 2013
For:	TOASTER
Assignee:	De' Longhi Appliances S.R.L. Con Unico Socio



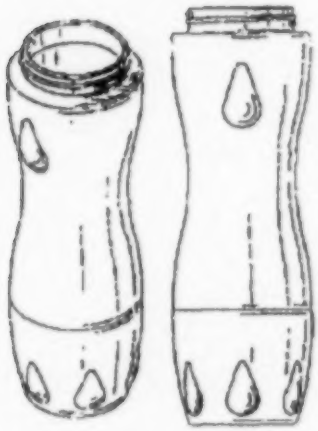
23. 514 U.S. at 165.

24. While trademark anti-counterfeiting laws guard against those who are bold enough to also copy the trademark of the originator, they are ineffective against a copyist who is clever enough to omit the originator's trademark and simply copies the design/shape of the original design. *See* 18 U.S.C. § 232(c).

U.S. Pat. D404,322
Date: May 11, 2004
For: DIVING WATCH
Assignee: Rolex Watch U.S.A., Inc.

U.S. Pat. D648,638
Date: November 15, 2011
For: WATCH
Assignee: Omega SA (Omega AG) (Omega Ltd).

U.S. Pat. D465,385
Date: November 12, 2002
For: WATER BOTTLE
Assignee: Dart Industries, Inc.



U.S. Pat. D740,609
Date: October 13, 2015
For: WATER BOTTLE
Assignee: DYLN LIFESTYLES, LLC

The fact that a good faith competitor can design around a patented design greatly attenuates the overblown fears raised by Petitioner and its *amici* regarding the total profit remedy for infringement.[25]

A manufacturer's risk of infringing someone else's earlier design patent is almost completely mitigated by simply not copying the other person's product.[26] Since a company is highly incentivized to mark its products with its design patent numbers,[27] a competitor may generally determine if a particular product is protected by a design patent by inspecting the product and its packaging to see if it is so marked.[28]

The ability to avoid design patent infringement is therefore in the hands of a competitor. Either it intends to copy, or it intends to create its own original design. With the former intent, it is at risk of infringement; with the latter, it is not.

---

25. *See* Sect. III, *infra*.

26. A manufacturer can freely copy any product from the entire universe of unpatented articles. *See Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 231 (1964).

27. *See* 35 U.S.C. § 287(a) (the absence of marking will adversely affect a patentee's right to claim the infringer's profits).

28. *Id.* The America Invents Act permits a patentee to use virtual marking, making it even easier for a competitor to determine product marking status by using the internet.

II. Section 289's Total Profit Rule Is an Appropriate Remedy for Design Patent Infringement

When a consumer product is the subject of a design patent, a legitimate competitor is motivated to innovate new products that do not infringe the design patent, i.e., to "design-around" the patent by creating a new, visually dissimilar product.

In every industry there are companies who will choose a different path. They reproduce the appearance of the product to which the patented design has been applied very, very closely, in an effort to appropriate the essence of the look of the original, successful product, and therefore capitalize on its success. These companies have a business strategy that has been characterized as "first-to-be-second." They may attempt to avoid infringement by making slight changes in the product's major visual portions. They might well avoid the scope of a design patent that covers the entire product, but they might have more difficulty avoiding the scope of a design patent that covers only the major visual portions of the product.[29]

These companies, whether copying a patented design exactly, or trying to avoid infringement by changing the appearance of a few components, are in both cases closely tracking the appearance of the original design. Those actions are willful – an intentional effort to trade on the look of the original successful product by copying it.

Perhaps the "first-to-be-second" company – by tweaking the original design – successfully avoids

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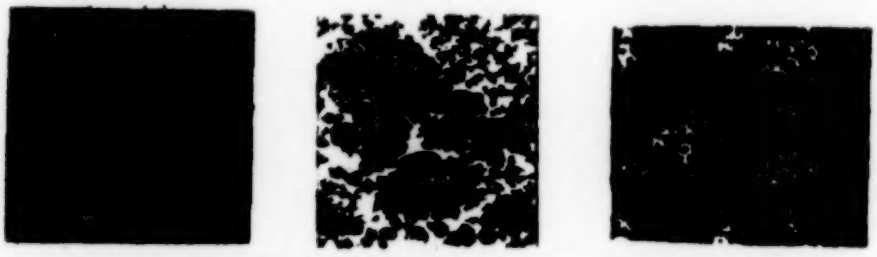
29. *See* Sect. III.D., *infra*.

infringing the design patent. However, if the company is found liable for design patent infringement, it is tantamount to a finding of willful, intentional infringement.

It is therefore hardly unjust that a finding of design patent infringement be accompanied by an award of the total profit made by the infringer as a result of its copying.[30]

A. Congress Clearly Intended to Provide a Special Remedy for Design Patent Infringement

Congress acted to adopt the total profit remedy available to design patentees in 1887 after three Court decisions, *Dobson v. Hartford Carpet Co.*, 114 U.S. 439 (1885), *Dobson v. Bigelow Carpet Co.*, 114 U.S. 439 (1885), and *Dobson v. Dornan*, 118 U.S. 10 (1886), revealed the disadvantaged position of design patent holders under the then current law. The Dobson cases involved owners of several design patents for carpet designs: U.S. Pat. Nos. D11,074; D10,778; and D10,870, illustrated left to right below.



30. If willful infringement of a utility patent is proven, under 35 U.S.C. § 284 the patentee may be entitled to increased damages, up to triple the amount awarded. Willful infringement carries appropriately harsh remedies, whether infringement is that of a utility patent or a design patent.

After proving infringement of their design patents by the Dobson brothers, the patentees sought lost profits from sales of the carpets containing the infringing designs. The Court refused to award profits based on the infringing carpet sales, instead awarding the patentees six cents, relying on reasoning which Congress would eventually render inapplicable to design patentees through the Act of 1887. Since this reasoning reflects the harm that Congress sought to prevent, revisiting the Dobson cases provides insight into the Congressional intent behind shielding design patentees from apportionment.

In *Dobson v. Hartford Carpet Co.*, the Court stated that design patentees can only receive total profits from a patented article if they prove "by reliable evidence that the entire profit is due to the figure or pattern." 114 U.S. at 444. The Court also expressed the view that an article's design is only one factor in the decision to purchase the article, for "the article must have intrinsic merits of quality and structure, to obtain a purchaser, aside from the pattern or design." *Id.* at 445. To give total profits on the article solely because the design patentee contributed to one factor in the purchasing decision "confounds all distinctions between cause and effect." *Id.* at 446. One year later, the Court failed to find sufficient evidence that profits from sales of the carpets were due to a patented carpet design. *See* 118 U.S. at 18.

Congress reacted swiftly to the *Dobson* cases. In the legislative history leading to the passage of the Act of 1887, Congress recognized the value of designs to the American public, as well as to the original designer:

> Property in original designs ... is a property of great and increasing value, intimately related to material progress in the industrial arts ....
>
> The sole remuneration to the manufacturer for his large outlay in originating designs is the increased sales he makes thereby. The design is merely the principle of selection in the purchasing of articles of manufacture ....
>
> It was also shown that the advance in the last few years in the application of art to the industrial pursuits had been rapid and great, and was largely due to the existence of design patent laws, and that this growth has been coincident with a steady decline in prices. It was also shown that the effect of design patent laws was to cheapen production and so ultimately to reduce prices, because it enabled the manufacturer to run longer on a given design than he otherwise could, and thus avoid changing machinery.

18 Cong. Rec. 834.

Congress then noted the dire consequences wrought by the decisions in the *Dobson* cases:

> It now appears that the design patent laws provide no effectual money recovery for infringement ....
>
> [T]he receipt of the Patent Office in the design department [fell] off upwards of 50 per cent, and

> the average weekly issue of design patents has also fallen off just one-half ....
>
> To fail to pass this or a similar bill is a virtual repeal of the design patent laws.

Id.

Congress recognized the importance of the design to the sale of the article to which it was applied by passing the Act of 1887:

> [I]t shall be unlawful for any person other than the owner of said letters patent ... to apply the design...or any colorable imitation thereof, to any article of manufacture for the purpose of sale, or to sell or expose for sale any article of manufacture to which such design or colorable imitation shall ... have been applied ....
>
> Any person violating the provisions ... of this section shall be liable in the amount of $250; and in case the total profit made by him ... exceeds the sum of $250, he shall be further liable for the excess of such profit over and above the sum of $250.

Act of 1887, 24 Stat. 387.

Upon its passage, Congress noted:

> It is expedient that the infringer's entire profit on the article should be recoverable, as otherwise none of his profit can be recovered,

> for it is not apportionable; and it is just that the entire profit in the article should be recoverable and by the patentee, for it is the design that sells the article, and so that makes it possible to realize any profit at all, and the patentee is entitled to all the good will the design has in the market.

18 Cong. Rec. 834.

As the Federal Circuit correctly held in this case, the language of the Act and its legislative history are quite clear: no longer did the design patentee have the burden of proving what profits were attributable to the design as separate from the article to which it was applied.

B. *Amici*'s Experience with Design and Design Patents Confirms that Congress's Judgment in 1887 Is Still Good Policy Today

Based on the experience of *amici*, the appearance of many consumer products, such as lighting fixtures, wrist watches, smartphones, toasters, and the like, is important to market success.[31] The sale of these types of consumer-purchased products frequently depends upon the first glimpse or first impression of the product, which is generally the moment when a potential customer's attention is either grabbed or deflected, the moment when the notion is created that 'I might want to buy this item ...' or not. Analysis of features and benefits for those products often follows the first glimpse moment.

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31. Jeneanne Rae, *What Is the Real Value of Design?*, 24 Design Mgmt. Rev., Dec. 2013, at 30.

If the design of such a product is not eye-catching, its potentially superior functional features might not get to the "analysis stage." If a consumer fails to like the appearance of the item at first glance, potential buyers may not go further in acquiring the product.

Even if only a portion of the design of a popular product is purloined, the advantage to the infringer is much more than just the intrinsic value of that portion of the product. That portion of the product's design can be the gateway to the sale; and it is often the WOW! factor that initiates and/or clinches the sale of the entire product.[32]

The determination by Congress that design is critical to sales was accordingly quite correct, as was its conclusion about the difficulties in apportioning profits between a product's design and non-design characteristics.

Design patents are especially important to small companies, such as *amicus* Design Ideas, Ltd., who suffer from counterfeit lookalikes across their entire line of mesh basket products. Even small volume counterfeits can hurt its business. In 2011, it had a dispute with an

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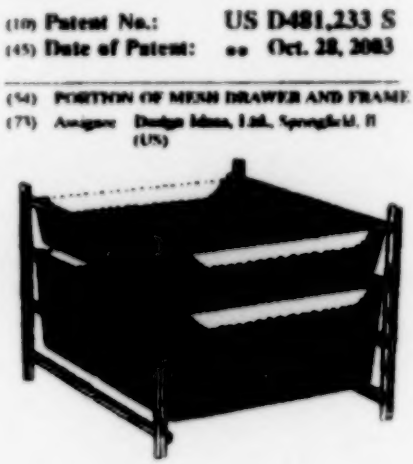
32. This is true even for industrial products such as dock levelers. In *Nordock, Inc. v. Systems Inc.*, 927 F. Supp. 2d 577, 598 (E.D. Wis. 2013), *aff'd. in part, vacated in part*, 803 F.3d 1344 (Fed. Cir. 2013), *pet. for cert. filed*, No. 15-978 (Jan. 28, 2016) the lower court noted that: "[D]ock leveler manufacturers understand the significance of the appearance of a leveler to their customers, particularly the front end of the leveler.... [Witnesses] state that the appearance of Nordock's front end "lip, lug and header plate style" design distinguishes Nordock and its levelers from those of other manufacturers. The visual appearance of the front end of a dock leveler is very important in making a dock leveler sale."

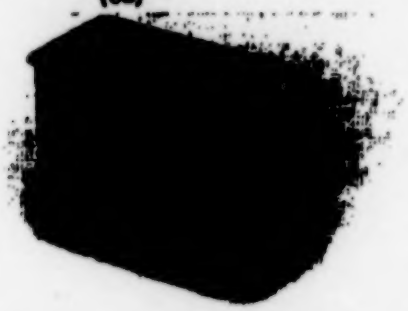
importer, Idea Nuova, Inc., of New York, who sold 13,000 units of a product which clearly infringed several design patents (D481,233; D501,105; and D513,874) that covered the popular Mesh-elfa® line of storage baskets and racks marketed through The Container Store. *Amicus* was able to resolve the dispute, getting the infringing products off the market without having to file suit, based on the strong incentive to settle provided by the total profit rule.



In 2013, *amicus* Design Ideas brought a case against catalog marketer Harriet Carter and its importer MSR Imports, Inc. (C.D. Ill., No. 1:13-cv-01260-RM-BGC) involving blatant copying of U.S. Pat. No. D449,074. A settlement was negotiated based on the infringer's sale of about 6,000 units. Moreover, the importer in this case agreed to notify its factory and supplier to encourage them to refrain in the future from manufacturing and distributing any products that were substantially the same in appearance as any of *amicus's* design-patented products.

(10) **Patent No.: US D449,074 S**
(45) **Date of Patent: ** Oct. 9, 2001**

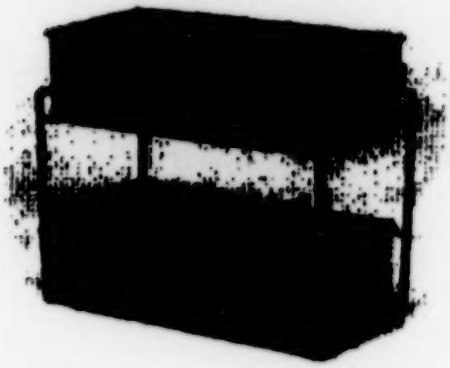
(54) **MESH CONTAINER**
(73) Assignee: Design Ideas, Ltd., Springfield, IL (US)



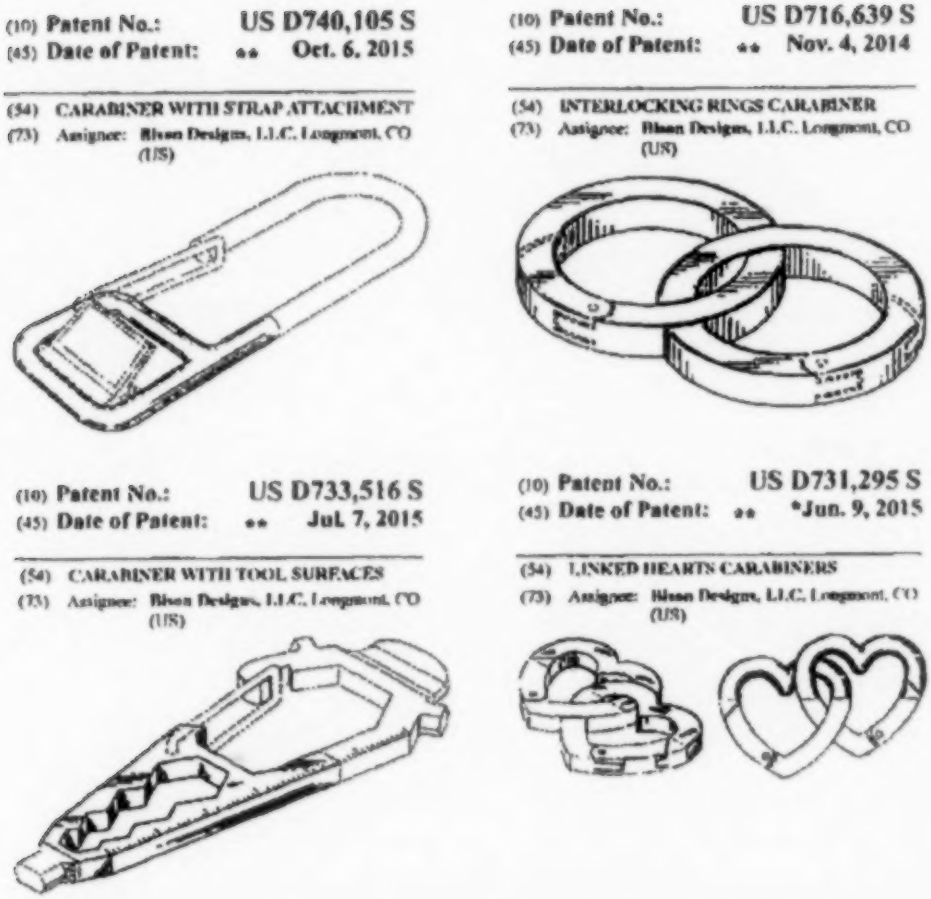
In two other suits brought by *amicus* Design Ideas in the Central District of Illinois against the major big box retailer Bed, Bath & Beyond and its suppliers, four U.S. design patents were violated. In one case involving U.S. Pat. No. D450,481, almost 400,000 extremely close lookalike copies were sold, and the total profit rule led to immediate cessation of sales and a substantial six-figure settlement. These settlements came about shortly after the complaints were filed, and would not have been possible absent the total profit rule. One of the suppliers now sends its new designs to *amicus* before introduction, to try and ensure it is not infringing *amicus's* design patents.

(10) **Patent No.: US D450,481 S**
(45) **Date of Patent: ** Nov. 20, 2001**

(54) **MESH BASKETS AND FRAME**
(73) Assignee: [illegible], Ltd., Springfield, Il. (US)



Another *amicus*, Bison Designs, LLC, is a small, family-owned business that enjoys great success with a product line that is focused on key chains, belt buckles, and bottle openers made with brightly colored aluminum, for which *amicus* has filed for or been awarded over 200 patents. Among those are design patents covering some extraordinarily successful carabiners (carabiners are snap links that have inwardly swinging, spring activated gates commonly used by rock climbers). Drawing upon many years of rock climbing experience, and recognizing that all carabiners were designed for improved function, *amicus* launched a carabiner line designed for an opposite purpose: to look good fashionably as opposed to function well. These carabiners were custom-shaped, *e.g.*, in the form of dog bones, heart shapes, star shapes, fish shapes, etc. Examples of *amicus's* design patented products include:



(10) Patent No.: US D740,105 S
(45) Date of Patent: ** Oct. 6, 2015

(54) CARABINER WITH STRAP ATTACHMENT
(73) Assignee: Bison Designs, LLC, Longmont, CO (US)

(10) Patent No.: US D716,639 S
(45) Date of Patent: ** Nov. 4, 2014

(54) INTERLOCKING RINGS CARABINER
(73) Assignee: Bison Designs, LLC, Longmont, CO (US)

(10) Patent No.: US D733,516 S
(45) Date of Patent: ** Jul. 7, 2015

(54) CARABINER WITH TOOL SURFACES
(73) Assignee: Bison Designs, LLC, Longmont, CO (US)

(10) Patent No.: US D731,295 S
(45) Date of Patent: ** *Jun. 9, 2015

(54) LINKED HEARTS CARABINERS
(73) Assignee: Bison Designs, LLC, Longmont, CO (US)

These carabiners were selling in the tens of millions of units. Their popularity was immediate, and as a natural consequence the designs were copied by in excess of seventy companies in the U.S. and a countless number of companies around the world.

Facing a sudden and dramatic loss of substantial market share, *amicus* Bison Designs chose to enforce its design patents. *Amicus* was successful in protecting much of its market share using its design patents coupled with aggressive enforcement. The total profit rule was

instrumental in convincing counterfeiters to stop their nefarious activities, and provided *amicus* with effective design patent enforcement without having to resort to litigation. For other competitors inclined to make and sell counterfeits, the total profit rule was a critical deterrent. Conversely, *amicus* believes that any weakening of the total profit rule would undermine design innovation by reducing the incentive to invest in new product designs.

C. Identifying the Article of Manufacture Which Appropriates the Patented Design Is a Question of Fact

Section 289 awards total profit from the sale of "any article of manufacture" to which a patented design or colorable imitation has been applied without license. Identifying the article of manufacture which appropriates the patented design is a question of fact, which ensures just awards of total profit. The Federal Circuit clearly treated the article of manufacture as a factual issue in this case.[33]

In many cases, the article of manufacture to which the patented design is applied will correspond wholly or substantially to the entire product from which profit was made in such a way that awarding total profit on its sales is unquestionably just. For example, it is proper for fact-finders to award total profit from sales of a smartphone that appropriates a patented design which claims the overall appearance of a design for a smartphone.

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33. The court noted the factual situation in the Piano cases and that "[t]he facts at hand are different." *Apple Inc. v. Samsung Electronics Co., Ltd.*, 786 F.3d 983, 1002 (Fed. Cir. 2015).

Contrary to Petitioner's assertions, when a design patent covers less than an entire product, the article of manufacture may still correspond to the entire product as sold, justifying an award of total profit. A claimed design for less than an entire product can still be applied to an article of manufacture without license and be the thing which gives the product a peculiar or distinctive appearance.[34] For example, the factfinder might properly award total profit from sales of a smartphone when the appropriated design is less than the entire smartphone, *e.g.*, when the appropriated design is a visually significant portion of the entire product. Indeed, the three infringed design patents in the case at bar cover peculiar and distinctive aspects of the appearance of the original iPhone smartphone.

Petitioner and its *amici* complain about possible situations where an appropriated design is substantially less than or *de minimis* compared to the entire product sold, such that it would be unjust to award total profit from sales of the product. Such extreme situations are adequately addressed by treating the accused article of manufacture as a question of fact.

In its *amicus* brief, the government notes the importance of identifying the article of manufacture that most fairly may be said to embody the appropriation of the patented design.[35] For example, in some situations, the article of manufacture may be a component that is separable from the entire product such that it would be just to account for its profit separate from the entire

34. *Gorham Mfg. Co. v. White*, 81 U.S. 511, 525 (1871).

35. U.S. Br. 26-27.

product. In other situations, the article of manufacture to which the patented design is applied may be an inseparable portion of the entire product and visually so related to the appearance of the entire product that it is just to award total profit on sales of the entire product. In still other situations, the article of manufacture may be a component that – despite being separable from the entire product – so affects the product's overall appearance that it would be just to account for the total profit of the entire product.

The government takes the fair position that it would be a defendant's burden to prove that the article of manufacture on which total profits are awarded is something other than the entire product as sold to consumers.[36]

The government also proposes four factors to guide the article of manufacture inquiry.[37] The Court need not address the proposed factors here because determination of the article of manufacture has been implicit in a number of cases in which the finders of fact have demonstrated the ability to determine the article of manufacture.[38] The Court should be reticent and appropriately cautious in adopting a set of evidentiary-based factors that have not been needed in the past.

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36. *Id.* at 30, 31.

37. *Id.* at 27-29. *Amici* posit that evaluating the visual features of a product against the technical features embodied in the product would be inappropriate in determining the article of manufacture for a design patent whose protection is wholly based on the product's appearance.

38. *See Bush & Lane Piano Co. v. Becker Bros.*, 222 F. 902 (2d Cir. 1915); *see also Young*, 268 F. at 966.

Uncertainty surrounding interpretation of new factors would weaken enforcement, reduce settlements, and increase litigation of design patent disputes. This would harm innovative, design-conscious companies, particularly small businesses whose resources cannot match those of large infringing companies, *e.g.*, big box retailers.

III. Petitioner Has Not Identified Convincing Policy Reasons Favoring Apportionment

Petitioner and its *amici* repeatedly warn of "disastrous consequences" flowing from the total profit rule. There is no actual support that such consequences have occurred or are likely to now, despite the total profit rule having been on the books for over a century, and high-tech products and partial design claiming existing for decades.[39] To the contrary, the total profit rule encourages design innovation by incentivizing would-be infringers to steer clear of others' design patent rights and create new designs of their own.

The total profit rule is especially helpful for smaller businesses that do not have the resources to vigilantly pursue every infringer and do not have the time or funds to engage in extensive litigation. The total profit rule evens the playing field, allowing a small company to bring a very large infringer, such as a big box retailer whose business model is to sell popular goods irrespective of whether such goods are imitations, to the negotiating table.

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39. *In re Zahn*, 617 F.2d 261 (C.C.P.A. 1980).

A. An Innocent Infringer of a Design Patent Is a Fiction

There is simply no such thing as a manufacturer who innocently infringes a design patent. A manufacturing company that is accidentally liable for design patent infringement is a fiction. Petitioner and its *amici* do not cite a single case – because there is none – where an accused infringer independently designed a product that accidentally infringed a design patent.

Designing the appearance of a product is a deliberate act, one where a skilled designer normally surveys the marketplace prior to putting pen to paper. The legitimate designer's goal is to design a unique product, a visually appealing product, one that is distinct from products of earlier competitors. In contrast, virtually every reported case of design patent infringement – including the case at bar – involves an accused infringer who has copied the popular design of another, prior designer.[40]

Copying of another's product is a deliberate act, one that can result in liability for design patent infringement. If such infringement is found, disgorgement of total profit is a fitting remedy.

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40. *See, e.g., Lehnbeuter v. Holthaus*, 105 U.S. 94 (1881) (comparing the patented and accused designs "makes it clear that the latter is a servile copy of the former..."); *Glen Raven Knitting Mills, Inc. v. Sanson Hosiery Mills, Inc.*, 189 F.2d 845 (4th Cir. 1951) ("[t]hirty-eight photographs on exhibit show unabashed attempts to copy..."); *Parker Sweeper Co. v. E. T. Rugg Co.*, 474 F.2d 950 (6th Cir. 1973) (the appellant "deliberately ... copied [the] commercially successful product"); *L.A. Gear, Inc. v. Thom McAn Shoe Co.*, 988 F.2d 1117 (Fed. Cir. 1993) (the accused shoes were "almost a direct copy" of the patented design).

B. Design Patent Trolls Are Not a Real-World Problem

Petitioner and its *amici* discuss the admittedly serious problem of patent "trolls" or patent assertion entities (PAEs) in the utility patent context. They make the valid point that the nefarious activities of trolls represent a threat to businesses that are targeted by PAEs. The argument is then made – with no evidence to support it – that trolls will undoubtedly take advantage of Section 289's total profit remedy to expand their activities into the design patent arena.

In support of this, Petitioner and its *amici* all cite to the same cease-and-desist letter[41] to argue that, as a result of the Federal Circuit's decision in this case, PAEs will suddenly begin to see total profit based on design patent infringement as a great source of heretofore untapped revenue.[42]

However, the total profit rule for design patent infringement has been on the books for well over 100 years. The Federal Circuit in the present case did no more than interpret Section 289 in the same manner that it has been interpreted in the past. The total profit ruling in this case broke no new ground. If PAEs saw any opportunity to assert design patents against unsuspecting alleged

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41. *Trolling Effects*, https://trollingeffects.org/demand/intellectual-capital-consulting-ltd-2015-06-02 (last visited July 29, 2016).

42. The demand letter asserts infringement of a utility patent, not a design patent, although the letter did offer to license many dozens of purportedly pending design patent applications.

infringers, they would presumably have asserted them a long time ago.

It is highly unlikely that PAEs would be attracted to design patent enforcement because it is virtually impossible to predict designs of others that have yet to be developed or introduced into the market. And unlike utility patent licensing, design patent licensing rarely occurs, such that there are no readily available design patent portfolios for PAEs to acquire.[43] Design patent owners, including *amici*, are very unlikely to assign a successful design.[44]

C. Hypotheticals Posited by Petitioner and Its *Amici* Are Unrealistic

Petitioner and its *amici* argue that the "article of manufacture" language in Section 289 should be interpreted as a matter of law in a way contrary to the way it's been interpreted since 1887. To support this, they hypothesize extraordinary, never-before-litigated examples, saying that "disastrous practical consequences" and "wildly disproportionate results" would flow if the decision of the Federal Circuit were affirmed.[45] They return time and again to the imaginary awards of total profit of car sales for infringement of a design patent on its cup-holder, or awards of total profit of boat sales for infringement of

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43. *Amici* are loathe to allow another company to market the same look as its unique products.

44. It is far easier for a PAE to acquire and assert a borderline utility patent that the owner may happily sell.

45. Pet. Br. 2, 26.

a design patent on its windshield.[46] They even posit the hypothetical that the owner of a two-dimensional icon design would be awarded total profit on sales of all the computers, plus the TVs, smartphones, and tablets upon whose screens it appears.[47]

These extreme hypotheticals are more than adequately addressed by the factual nature of the article of manufacture inquiry.[48] As noted previously, the article of manufacture will not always be the entire product as sold; it may under certain circumstances be a component or portion of the entire product. For example, no reasonable jury could find that the owner of a design patent on a cup-holder is entitled to the total profit on the sale of the automobile or airplane of which it is a part.

The factual nature of the inquiry is exemplified by *Young*, wherein the patented design was a shell or case for a latch of a refrigerator.

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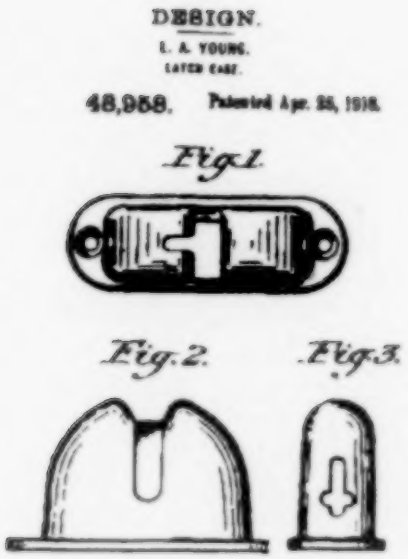
46. *Id.* at 1, 26, 28, 45, 47.

47. *Id.* at 1, 45, 47.

48. *See* Sect. II.C., *supra*.


DESIGN.

L. A. YOUNG.

LATCH CASE.

48,958. Patented Apr. 25, 1916.

Fig. 1.

Fig. 2. Fig. 3.

The latch case was a *de minimis* visual part of the refrigerator to which it was attached. The article of manufacture was treated as a question of fact because the patentee never contended that the article of manufacture was the entire refrigerator.[49]

D. Design Patents for Portions of a Product Are Important – Widely Used Design Patent Amendment and Continuation Practice Facilitates Protection for Portions of Products

Rather than being an abusive use of the design patent system to obtain "disproportionate awards" as alleged

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49. "The ornamental design of the shell added something to the attractiveness of the unitary article sold; but it is not seriously contended that all the profits from the refrigerator belonged to Young." *Young*, 268 F. at 974.

by Petitioner and its *amici*,[50] the total profit rule and standard patent application amendment and continuation practice[51] afford design innovators with a time-tested way to protect patentable portions of products, and avoid clogging the courts with those cases where it's clear that one party has closely mimicked the product and/or unique portions of that product in violation of one or more design patents that cover them.

It is important for a company to be able to protect a portion of a product, since that part may be visually very significant to the product's overall appearance. Moreover, such a part may be integrated across a company's entire product line, rather than in just one specific product. Such a part or portion may also become a significant part of subsequent generations of the company's products, and therefore might be even more valuable than a design patent covering the entire original product.[52] Design patents on portions of a product are subject to the same USPTO examination standards as the original product.[53]

Another important reason to have design patent protection for product parts is that a follow-on competitor might copy only the visually significant design portions, those portions that might have been responsible for the commercial success of the entire product. If, as Petitioner would have it, remedies for infringing design patents are limited as a matter of law to an apportioned subpart

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50. Pet. Br. 45.

51. 35 U.S.C. §§ 120, 132(a); 37 C.F.R. §§ 1.121, 1.78.

52. The designs at issue in this case are used in many subsequent generations of Respondent's smartphones.

53. 35 U.S.C. §§ 102-103; 35 U.S.C. § 112; 35 U.S.C. § 171.

of a product, it will only encourage competitors to focus on copying just those portions in an effort to avoid disgorgement of their profits for having copied the original product. Paradoxically, the potentially most valuable, visually important portions of a product are the portions that the infringer will be incentivized to copy.

Amending a pending design patent application or filing a continuation application enables design innovators to protect portions of original products that may have long-lasting visual impact, and provides the flexibility needed to protect their rights in the product's standout features that may be unfairly appropriated by a late-comer.[54] Petitioner itself regularly obtains continuation design patents that cover previously unclaimed portions of its products.[55]

E. Effective Design Patent Enforcement Will Stimulate Innovation and Decrease Litigation

Several of Petitioner's *amici* argue that the current interpretation of Section 289 will stifle innovation and will cause innovators to face an increasing number of threats or lawsuits based on design patents.[56] These fears are unfounded.

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54. *State Indus., Inc. v. A.O. Smith Corp.*, 751 F.2d 1226, 1235 (Fed. Cir. 1985) (It is "classic commercial gamesmanship" for a company to amend its pending patent application to cover a competitor's new product).

55. *See, e.g.*, U.S. Pat. Nos. D681,582 that covers Petitioner's entire smartphone and its continuation D711,360 that covers only its front face; D700,165 that covers an entire smartphone and its continuations D721,063 and D721,355 that cover various portions thereof.

56. CCIA Br. 5, 13; Engine Br. 2,3, 9, 21, 22; Hispanic Leadership Br. 3, 8, 12; Internet Association Br. 6, 26, 28.

The proliferation of many different designs of smartphones on the market today is strong evidence that companies that wish to stay in a market do not stop innovating just because one major player in the market, Petitioner, has been found to infringe and must pay its ill-gotten gains to the design patent owner. Other companies were able to innovate without infringing Respondent's design patents, and will continue to do so.

Rigorous enforcement remedies for design patents encourages companies to continue to invest in creating and developing their unique and innovative designs without fear of being copied. Innovative small businesses, in particular, could not survive were it not for the teeth that a total profit damage award provides.[57] The most successful new products would fall prey to infringing copies from companies who invest none of the money necessary to employ designers, and create, test market, develop, and distribute commercially attractive products.

In the design patent realm, it is always possible – always – for a competitor to create a functionally equivalent product that does not look like the innovator's design[58] – unless the competitor's intent is to ride on the coattails of the design innovator – which is exactly what the evidence showed and the jury found that Petitioner did in this case.

The Federal Circuit's total profit ruling did not "open the door" to high-magnitude judicial awards for design

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57. *See* Sect. II.B., *supra*.

58. Perry J. Saidman, *Functionality and Design Patent Validity and Infringement*, 91 J. Pat. & Trademark Off. Soc'y 313, 332 (2009).

patent infringement, as argued by some of Petitioner's *amici*.[59] The door, if there is one, has been wide open for a very long time – and no one has walked through it.

Moreover, if the effect of the Federal Circuit's decision is a decrease in design patent infringement due to fear of being liable for total profit, that is a good thing, not a bad thing. Competitors should be discouraged from copying originators' designs, and infringing others' design patents.

Petitioner's *amici* also cite to the explosion of false-marking litigation following the Federal Circuit's *Forest Group* decision,[60] arguing that the same can happen in this case.[61] However, in *Forest* the court interpreted an old statute (35 U.S.C. § 287) differently than previous courts. In contrast, in this case there was no new interpretation of Section 289. Despite the law having been the same for so long, pernicious or abusive design patent litigation does not exist.

F. Hypotheticals Posited by Petitioner About Multiple Recovery are Exaggerated

The prohibition against double recovery in the last clause of Section 289 is an indication that Congress wanted to limit multiple damages awards against a design patent infringer:

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59. Public Knowledge Br. 16, 23, 28.

60. *Forest Grp., Inc. v. Bon Tool Co.*, 590 F.3d 1295 (Fed. Cir. 2009).

61. Public Knowledge Br. 3, 22, 23.

> Nothing in this section shall prevent, lessen, or impeach any other remedy which an owner of an infringed patent has under the provisions of this title, but he shall not twice recover the profit made from the infringement.

Section 289 prevents the patentee from recovering multiple profits. There are several instances where multiple profit recovery might occur, for example, when:

1. A defendant's product infringes two design patents owned by the same entity;

2. A defendant's product infringes one design patent and one utility patent owned by the same entity;

3. A defendant's product infringes two design patents each owned by a different entity; and

4. A defendant's product infringes one design patent and one utility patent each owned by a different entity.

The first example occurred in this case. Respondent was not awarded Petitioner's "total profit" three times on each infringing product when Petitioner was found liable for infringing three of Respondent's design patents. Recovery corresponds to infringing profits, not the number of design patents infringed.

The second example has been resolved by the courts. In *Catalina Lighting, Inc. v. Lamps Plus, Inc*, 295 F.3d 1277 (Fed. Cir. 2002), the patentee, Lamps Plus, possessed both a utility patent and a design patent that were infringed by the same product, a lamp produced by Catalina Lighting. The Federal Circuit held that once Lamps Plus received the total profit of Catalina for the

design patent infringement under § 289,[62] it was not entitled to further recovery, *e.g.*, a reasonable royalty under § 284 for infringement of the utility patent by the same product. *Id.* at 1291.

Example 3 would rarely if ever occur in the real world. Petitioner and its *amici* do not cite any reported case where two unrelated companies asserted their respective design patents against the same entity that purportedly covered the same product. It is farfetched to suppose that two unrelated companies would be able to obtain valid design patents covering the same product.

Example 4 may happen. One company may own a design patent infringed by a particular product sold by another entity. Since a design patent protects appearance, and a utility patent protects technology, it is not implausible that another company may own a utility patent that is infringed by the same product sold by the same entity. The infringing entity would then be liable to each of the companies for damages due to its design patent infringement on the one hand, and its utility patent infringement on the other hand. This is not unfair.

Thus, fears advanced by Petitioner and its *amici* regarding disgorgement of the total profit many times to unrelated entities is at best highly speculative. There has been no reported instance of this happening.

CONCLUSION

The law is clear: Section 289 does not allow apportionment of total profit between a design and the

62. Which was equal to or greater than a reasonable royalty.

article of manufacture to which it has been applied. Determination of the article of manufacture has been properly treated by the courts as a factual question, as did the Federal Circuit in this case.

Although the government has proposed various factors for assisting a factfinder in determining the article of manufacture in a given case, the Court need not decide the contours of the factual inquiry in this case. Whether it be refrigerators or pianos, finders of fact have been adept in determining total profit, and the nature of the factual inquiry has not been properly raised so as to merit the Court addressing it in this case.

Adoption of a factors-based factual inquiry could lead to uncertainty, which would weaken enforcement, discourage settlement of design disputes, increase litigation, and be particularly harmful to small companies whose resources cannot match those of large infringing companies, *e.g.*, big box retailers.

The Court should affirm the decision of the Federal Circuit.

Respectfully submitted.

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IN THE
Supreme Court of the United States

SAMSUNG ELECTRONICS CO., LTD., SAMSUNG ELECTRONICS AMERICA, INC., AND SAMSUNG TELECOMMUNICATIONS AMERICA LLC,

Petitioners,

v.

APPLE INC.,

Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF OF THE BOSTON PATENT LAW ASSOCIATION AS AMICUS CURIAE IN SUPPORT OF RESPONDENT

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TABLE OF CONTENTS

Page

INTERESTS OF AMICUS CURIAE 1

SUMMARY OF ARGUMENT 1

ARGUMENT 3

I. DESIGN PATENTS DIFFER FROM UTILITY PATENTS; THE DIFFERENCES EXPLAIN WHY AN EXPLOSION OF NPE DESIGN PATENT ASSERTION HAS NOT HAPPENED AND IS NOT LIKELY TO HAPPEN. 3

A. Design Patent Protection Was Born Of A Recognition That Designs Are Valuable And Require Considerable Investment To Develop But Can Be Easily Copied And Used To Compete Unfairly. 5

B. Design Patents Protect The Way An Article Of Manufacture Looks; As Such They Go To The Core Of A Company's Brand Identity 7

C. Because They Protect Brand Identity, Design Patents Are Very Rarely Licensed Or Sold; Without A Significant Design Patent Market, There Is No Threat Of An NPE Explosion. 9

II. THE DIFFERENCES BETWEEN DESIGN AND UTILITY PATENTS SUPPORT CONGRESS'S DETERMINATION THAT DISGORGEMENT OF PROFITS IS THE APPROPRIATE REMEDY FOR DESIGN PATENT INFRINGEMENT. 12

A. Section 289 Reflects Congress's Sound Evaluation That Disgorgement Of Infringer's Profits Is Both The Proper Measure Of Damages And The Appropriate Deterrent. 12

B. The Test Petitioners Advocate Will Make Copying Designs An Efficient Business Strategy, Thereby Eviscerating Their Value. 15

CONCLUSION 17

TABLE OF AUTHORITIES

Page(s)

Cases

eBay Inc. v. MercExchange, L.L.C.,
547 U.S. 388 (2006).....9

Egyptian Goddess, Inc. v. *Swisa, Inc.*,
543 F.3d 665 (Fed. Cir. 2008).....4

Gorham Co. v. *White*,
81 U.S. (14 Wall.) 511 (1872).....4, 12, 13

Markman v. Westview Instruments, Inc.,
517 U.S. 370 (1996).....4

Mazer v. Stein,
347 U.S. 201 (1954).....4

Constitution & Statutes

U.S. CONST., art. I, §. 8, cl. 8.....5

35 U.S.C. § 284.....14

35 U.S.C. § 289.....2, 11, 12, 13

Act of Aug. 29, 1842, ch. 263, 5 Stat. 543.....6, 7

Legislative Material

18 Cong. Rec. 834 (1887).....12, 14, 15

Other Authorities

Christopher Beauchamp, *The First Patent Litigation Explosion*, 125 YALE L.J. 848 (2016) 9

David J. Kappos, *From Efficient Licensing to Efficient Infringement*, NEW YORK L.J., Apr. 4, 2016 16

David Orozco & James Conley, *Shape of Things to Come*, WALL ST. J., May 12, 2008 5

Intellectual Ventures, *Patent Finder*, http://patents.intven.com /finder 11

Jason J. Du Mont, *A Non-Obvious Design: Reexamining the Origins of the Design Patent Standard*, 45 GONZAGA L. REV. 531 (2010) 6, 7

Linda Biel, *A Viewpoint On Patent Transactions* (Nov. 6, 2015) http://www.ucl.ac.uk/laws/patents-in-telecoms-2015/docs/02_07_1200_biel-slides.pdf 10

MANUAL OF PATENT EXAMINING PROCEDURE (9th ed. Rev. 07.2015, Nov. 2015) 4, 7

WORLD INTELLECTUAL PROPERTY OFFICE, *Industrial Designs: How are industrial designs protected?*, http://www.wipo.int/designs/en/#design 3

INTERESTS OF AMICUS CURIAE

The Boston Patent Law Association (BPLA) is a professional association of approximately 1000 attorneys and other professionals whose interests and practices lie in the area of intellectual property. The BPLA's members include both in-house and outside counsel representing a diverse array of clients. The BPLA therefore has an institutional interest in seeing intellectual property law develop in a clear, predictable, and intellectually coherent way that promotes innovation and protects innovators.[1]

SUMMARY OF ARGUMENT

Design patents are not utility patents. They protect different kinds of innovation, are subject to different infringement tests, and relate differently to a company's brand identity. Because design patents often protect what is at the core of a company's brand, companies are reluctant to sell or license their design patents. This explains why there is no market for design patents comparable to that for utility patents, which in turn explains why Petitioners' and their amici's threatened explosion of NPE design patent assertion has not materialized in the 130 years since Congress decreed that profit

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[1] The BPLA has no financial interest in any party or the outcome of this case. This brief was neither authored nor paid for, in whole or in part, by any party. Petitioners have consented to the filing of this brief through a blanket consent letter filed with the Clerk's Office. Respondent provided its consent via letter dated July 26, 2016.

disgorgement was the appropriate remedy for infringement of design patents—and why such an explosion is highly unlikely to materialize in the future.

It is not for this Court to substitute its judgment for that of Congress regarding how the appropriate balance of the risks and rewards of innovation and infringement should be struck. But even if it were, Congress got it right. Petitioners and their amici complain that an award of total profits overcompensates the design patent owner for the infringement, but § 289 reflects Congress's determination that designs sell products and, therefore, that the infringer's profits are the right measure of the patent owner's damages. Given the extensive evidence that Petitioners intentionally copied Respondent's designs, one might reasonably infer they shared Congress's intuition about designs driving sales.

Section 289 also reflects Congress's determination of what effective deterrence of design patent infringement requires. That determination is supported by the special characteristics of design patents: they are very easy to infringe purposefully (by copying) but nearly impossible to infringe innocently. At the same time, they are very easy to avoid infringing—it just requires refraining from copying. Under such circumstances, disgorgement of profits makes sense as an appropriate deterrent.

Petitioners seek to replace the bright-line rule Congress put in place over a century ago—a rule that has resulted in no ill effects or dire consequences—

with the very measure Congress rejected (apportionment) after determining that it made proving entitlement to compensation too difficult, thereby leaving design patent owners without an effective remedy. Requiring design patent owners to prove how much the infringed design contributed to the value of an infringing article not only risks introducing a good deal of uncertainty and increased litigation costs into a system that is not broken; it also risks eviscerating the value of design patents by making copying designs an efficient business strategy. The problem of efficient infringement already plagues utility patents. There is no sound policy reason for extending it to design patents, which are both more vulnerable to infringement and also easier to avoid infringing.

ARGUMENT

I. DESIGN PATENTS DIFFER FROM UTILITY PATENTS; THE DIFFERENCES EXPLAIN WHY AN EXPLOSION OF NPE DESIGN PATENT ASSERTION HAS NOT HAPPENED AND IS NOT LIKELY TO HAPPEN.

That design patents are called "patents" is an accident of history. In other parts of the world, design patents are called "industrial designs" or "registered designs," not "patents." *See* WORLD INTELLECTUAL PROPERTY OFFICE, *Industrial Designs: How are industrial designs protected?*, http://www.wipo.int/designs/en/#design. Whatever they are called, design protection extends only to the ornamental and visual characteristics of an article of manufacture; it does not extend to its utilitarian or functional aspects. *Id.* While utility patents protect the way an article is used and works, design patents

protect the way it looks. MANUAL OF PATENT EXAMINING PROCEDURE (MPEP), (9th ed. Rev. 07.2015, Nov. 2015) § 1502.01, http://www.uspto.gov/web/offices/pac/mpep/s1502.html; *see also Mazer v. Stein*, 347 U.S. 201, 218 (1954) ("The dichotomy of protection for the aesthetic is not beauty and utility but art for the copyright and the invention of original and ornamental design for design patents.").[2]

Because they protect different kinds of innovation, design and utility patents are subject to different infringement tests. Design patents are infringed if an ordinary purchaser would determine that two designs are substantially the same. *Gorham Co.* v *White*, 81 U.S. (14 Wall.) 511, 524-525 (1872); *Egyptian Goddess, Inc.* v. *Swisa, Inc.*, 543 F.3d 665, 680-683 (Fed. Cir. 2008) (en banc). Utility patent infringement is more complicated; it requires a court to construe the patent's claims and to determine whether the accused product meets every claim limitation. *See Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 384-85 (1996).

Design and utility patents also differ in another important respect: they relate very differently to a company's brand identity. Because design patents protect how products look, they often protect what is at the core of a company's brand—how a company's

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[2] Because design patents cover the ornamental, non-functional elements of an article of manufacture, they are easy to design around. For example, Samsung could easily (and does) make and sell smartphones that look different from Apple's patented designs without having to reinvent the working elements of the device (*e.g.*, the circuitry, the semiconductors, LEDs, etc.).

products are identified and differentiated from those of its competitors (how consumers know that a product is an Apple product, for example) and what its brand means or stands for—in a way that utility patents do not. *See, e.g.*, David Orozco & James Conley, *Shape of Things to Come*, WALL ST. J., May 12, 2008, at R6.

For the same reason—that they are at the core of brand identity—design patents are rarely licensed or sold, which means that there is no market for design patents comparable to that for utility patents. Without a meaningful market for design patents, the threat of an explosion of design patent assertion by non-practicing entities (NPEs), which typically acquire patents from operating companies, is unlikely to materialize.

A. Design Patent Protection Was Born Of A Recognition That Designs Are Valuable And Require Considerable Investment To Develop But Can Be Easily Copied And Used To Compete Unfairly.

Design and utility patents in the United States have distinct origins. Utility patents trace their origin to the Constitution, which grants Congress the power "to promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries." U.S. CONST., art. I, §. 8, cl. 8. Design protection traces its origin to a different source. Indeed, that design protection falls under the aegis of the Patent Office and uses "patent" nomenclature may be closer to a historical accident than an intentional design (so to speak). In 1841, a

number of U.S. manufacturers and mechanics sent a petition to Congress advocating for protection for their designs and patterns, which required considerable investment to develop but were very easy for competitors to copy, thereby allowing those competitors to undersell them. They explained:

> [T]he frequent ornamental and other improvements which are and can be made in articles of manufacture have rendered necessary a registration of new designs and patterns; that ornamental and useful changes can, in many cases, be made in the design and form of articles of manufacture, for which no patent can be obtained; that the said new designs and patterns often require a considerable expenditure of time and money, and can be made use of by any person so disposed, in such a manner as to undersell the inventor or proprietor.

Jason J. Du Mont, *A Non-Obvious Design: Reexamining the Origins of the Design Patent Standard*, 45 GONZAGA L. REV. 531, 540 (2010) (quoting MANUFACTURERS' PETITION, S. Doc. No. 154 (1841)).

In 1842, the Commissioner for Patents echoed the manufacturers' petition in his annual report to Congress but suggested that design protection should fall under his patent domain. *Id.* at 541 (citing Henry L. Ellsworth, REPORT FROM THE COMMISSIONER OF PATENTS, H.R. Doc. No. 74, at 2 (1842)). Congress adopted the Commissioner's

suggestion later that year. *Id.*; *see also* Act of Aug. 29, 1842, ch. 263, § 3, 5 Stat. 543, 543-544.

The new law protected anyone who "by his, her, or their own industry, genius, efforts, and expense . . . invented or produced" "any new and original design for a manufacture or any new original impression or ornament to be placed on any article of manufacture, . or any new and original shape or configuration of any article of manufacture," and extended to any such design that was "not known or used by others before his, her, or their invention or production thereof, and prior to the time of his, her, or their application for a patent." 5 Stat. 543-44.

The law reflected Congress's recognition that new designs are entitled to protection not only because they are the fruit of "industry, genius, efforts, and expense," *id.*, but also because they are vulnerable to being copied (they "can be made use of by any person so disposed") and to being used to compete unfairly with the designs' creators ("in such a manner as to undersell the inventor or proprietor"). Du Mont at 540 (quoting MANUFACTURERS' PETITION).

B. Design Patents Protect The Way An Article Of Manufacture Looks; As Such They Go To The Core Of A Company's Brand Identity.

The special characteristics of designs that entitled them to protection—the ease with which they can be copied and used to compete unfairly—inform the scope and purpose of that protection. Design patents protect the ornamental and visual characteristics of an article of manufacture—its look. They are permitted to claim only a single three-

dimensional design, which must be delineated by drawings showing multiple perspectives of the design. MPEP § 1503.02,http://www.uspto.gov/web/offices/pac/mpep/s1503.html#d0e151275 (citing 37 C.F.R. § 1.152) ("Every design patent application must include either a drawing or a photograph of the claimed design. As the drawing or photograph constitutes the entire visual disclosure of the claim, it is of utmost importance that the drawing or photograph be clear and complete, and that nothing regarding the design sought to be patented is left to conjecture.").

Because they protect the way an article of manufacture looks, design patents are closely connected to a company's brand identity. As Respondent's amici explain:

> Strong design can "enhanc[e] emotional contact with ... customers" and "create positive overall customer impressions that depict the multifaceted personality of the company or brand." Consumers come to associate particular designs with specific attributes of companies and products. Design patent infringement therefore steals much more than the design itself—it robs innovative companies of the entire positive mental model that consumers have created for their brand.

Amici Curiae 111 Distinguished Industrial Professionals and Educators in Support of Respondent Br. at 23 (internal citations omitted).

C. Because They Protect Brand Identity, Design Patents Are Very Rarely Licensed Or Sold; Without A Significant Design Patent Market, There Is No Threat Of An NPE Explosion.

Given the close connection between design patents and brand identity, it should come as no surprise that companies are typically not willing to license, let alone sell, their design patents. This explains why, even during the various periods of intense patent litigation activity over the past 130 years,[3] there has never been an explosion of design patent assertion despite the uninterrupted availability of profit disgorgement as a remedy throughout that long age. And, in the absence of any market for design patents, the suggestion that such an explosion is likely to occur in the future, let alone imminently, as Petitioners and their amici contend, is difficult to fathom. Pet. Br. 50-52; Computer & Communications Industry Assoc. Br. 13-14; Public Knowledge Br. 16.

Justice Kennedy noted a decade ago that "[a]n industry has developed in which firms use patents not as a basis for producing and selling goods but, instead, primarily for obtaining licensing fees." *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 396

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[3] Christopher Beauchamp, *The First Patent Litigation Explosion*, 125 YALE L.J. 848, 851 (2016) ("Despite the attention devoted to the modern surge in patent filings, this development is not as unprecedented as recent coverage presumes. In fact, the patent system of the mid-to-late nineteenth century was in some ways more litigious than that of the early twenty-first.").

(2006) (Kennedy, J. concurring). There is some debate in the scholarly literature about whether the development to which Justice Kennedy alluded—the rise of entities seeking to enforce patents they do not practice (known as NPEs or PAEs, patent assertion entities, when they are not called more pejorative terms like "patent trolls")—is actually new,[4] and what its effects may be on the health and future of the American innovation economy.

Whatever one's views on whether patent assertion entities are good or bad for the economy,[5] it is uncontroverted that with the exception of universities and research centers, which typically acquire their patents by developing the underlying technologies, the great majority of PAEs acquire

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[4] *See, e.g.*, Beauchamp, 125 YALE L.J. at 942 ("Balancing out the reform-minded commentators is another set of historically informed scholars, for whom the commotions of the past provide reason to be sanguine about the present. In this view, 'historical amnesia' has contributed to an unjustified sense that the travails of the current patent system are unprecedented and frightening. The long history of patent struggles and even their association with technological progress should counsel us against legislative or judicial overreaction. This is especially so given that the level of litigation does not seem unduly high by past standards.").

[5] The BPLA's members represent both plaintiffs and defendants in intellectual property litigation throughout the country. Those clients include both non-practicing entities and defendants accused of infringing patents owned by such entities. To the extent Congress or this Court are concerned about abusive patent litigation, the focus of the concern should be on the abusive practices of litigants regardless of their "practicing" or "non-practicing" status.

their patents by buying them—usually from operating companies. *See, e.g.*, Linda Biel, *A Viewpoint On Patent Transactions*, at 2-3 (Nov. 6, 2015) http://www.ucl.ac.uk/laws/patents-in-telecoms-2015/docs/02_07_1200_biel-slides.pdf (analyzing the sale of patents from operating companies to PAEs). Indeed, operating companies routinely "monetize" their patents (which they also call "patent assets" or "IP assets") by selling or licensing them to PAEs who either sell them to other companies, or enforce them through licensing negotiations and litigation to generate revenue.

Invariably, the patents at issue in these monetization efforts are utility patents. There is simply no comparable market for design patents. Intellectual Ventures—widely considered one of the largest NPEs in history—provides a telling example. Since 2000, it has "acquired more than 70,000 IP assets," of which "approximately 40,000 . . are in active monetization programs." Intellectual Ventures, *Patent Finder*, http://patents.intven.com/finder (last accessed Aug. 4, 2016). Yet, of its 19,890 U.S. patents, only 50—fifty!—are design patents, which strongly suggests that the barriers to monetizing design patents are much greater than they are for utility patents. *See id.*, ivpatents.csv file available under "Download List" (U.S. patents listed at rows 9536 through 29425 of ivpatents.csv; U.S. design patents listed at rows 28907 through 28956 of ivpatents.csv) (last accessed Aug. 4, 2016).

II. The Differences Between Design And Utility Patents Support Congress's Determination That Disgorgement Of Profits Is The Appropriate Remedy For Design Patent Infringement.

It is not for this Court to substitute its judgment for that of Congress regarding whether Section 289 strikes the right balance between the interests of innovators and those of infringers, or whether it weights the respective risks and rewards of innovation and copying appropriately.

Even so, Congress got it right. The special characteristics of design patents—their close relationship to brand identity, coupled with their vulnerability to being copied and being used to compete unfairly—support Congress's determination that the proper remedy for design patent infringement is disgorgement of the infringer's profits. Such a remedy both compensates design innovators for the unfair use of their designs, and deters would-be infringers from copying and trading off the innovators' brand identity. It also tracks Congress's dual recognition that designs drive sales and that the difficulty of proving the portion of the value attributable to the design would prevent any meaningful recovery.

A. Section 289 Reflects Congress's Sound Evaluation That Disgorgement Of Infringer's Profits Is Both The Proper Measure Of Damages And The Appropriate Deterrent.

Section 289 reflects Congress's determination that "it is just that the entire profit should be

recoverable and by the patentee, for it is the design that sells the article, and so that makes it possible to realize any profit at all." 18 Cong. Rec. 834 (1887). Indeed, Section 289's total profits remedy aligns with the long-settled test for design patent infringement. As this Court explained in *Gorham Co. v. White*, "giving certain new and original appearances to a manufactured article may enhance its salable value [and] may enlarge the demand for it." 81 U.S. at 525. Therefore, the Court reasoned, if consumers "are misled [by a copy], and induced [thereby] to purchase what is not the article they supposed it to be," "the patentees are injured, and that advantage of a market which the patent was granted to secure is destroyed." *Id.* at 528. Given the extensive evidence that Petitioners intentionally copied Respondent's designs, one might reasonably infer they shared Congress's intuition that designs drive sales.

Nevertheless, Petitioners and their amici complain that disgorgement of total profits overcompensates the owners of design patents for the infringement of their designs. Pet. Br. 26, 45-46; Public Knowledge Br., 8-9. But compensation is not the only purpose of § 289; its purpose is also to deter. Given that design patent infringement is both easy to do purposefully and nearly impossible to do innocently, disgorgement of total profits provides the appropriate level of deterrence.

To infringe a design patent, one need only copy it; because it covers only ornamental features, no reverse engineering of any underlying technology is required. At the same time, design patents are not susceptible to innocent infringement. Unlike utility

patents, design patents do not protect a product's functional or utilitarian aspects. An innocent infringer may produce a product having the same functionality as the patentee's claimed invention because the invention has a utility that the market desires. The innocent infringer who is not aware of the existing utility patent may have independently come up with an idea for a product that fulfills a need in the market. For that trespass, and assuming the patent is not shown to be invalid, Congress has determined that she must pay the patentee "damages adequate to compensate for the infringement," but not less than a reasonable royalty. 35 U.S.C. § 284.

Design patents are different. Because design patents cannot cover the functional aspects of an article of manufacture, they are not developed to fulfill a need in the market. Rather, they are often developed to differentiate one company's products from the otherwise functionally similar products of its competitors. The countless possibilities at the designer's disposal and the innate creativity of human beings make it highly unlikely that two independent designers will develop the same design.

Given Congress's recognition that designs drive sales and that copying designs is easy and tempting, and makes it possible for the infringer to compete unfairly with the designs' creator, and given also that it is within the would-be infringer's power not to infringe (just by refraining from copying), the disgorgement of profits remedy makes sense. It provides the appropriate measure of compensation and the appropriate kind of deterrence.

B. The Test Petitioners Advocate Will Make Copying Designs An Efficient Business Strategy, Thereby Eviscerating Their Value.

Congress recognized that because profits attributable to design are often "not apportionable," "[i]t is expedient that the infringer's entire profit on the article should be recoverable, as otherwise none of his profit can be recovered." 18 Cong. Rec. 834. It understood that the difficulty of proving the portion of an article's value attributable to its design meant that requiring apportionment risked leaving design patent owners without any remedy. *Id.*

Nevertheless, Petitioners advocate replacing the bright line Congress put in place to compensate design patent owners and deter infringers with the very measure Congress rejected—apportionment. The change Petitioners advocate risks introducing a good deal of uncertainty and increased litigation costs into a system that has not been found to be broken in over 130 years—quite a track record.

It also risks eviscerating the value of design patents by making copying designs an efficient business strategy. Without the potential of total profit disgorgement—a significant negative expected value from infringing—there would be no effective deterrent to copying a competitor's designs, given that doing so is both inexpensive and potentially very lucrative. Instead, copying would become a rational strategy. Would-be infringers are likely to calculate that it makes more sense to infringe and—at worst—pay whatever pro rata share of the value of the infringement the design patent owner is able to prove is properly attributable to the design (if any)

than to expend the resources required to come up with competing designs. The immediate consequence of such a shift in the risks and rewards of innovation and infringement would be the evisceration of the value of design patents. Without effective protection against copying, designs will no longer serve to identify a company's brand or to differentiate its articles from those of its competitors. With that loss comes also the loss of incentives to develop new, distinctive designs, and the thriving economy they support.

The problem of efficient infringement already plagues utility patents. David J. Kappos, *From Efficient Licensing to Efficient Infringement*, NEW YORK L.J., Apr. 4, 2016 ("'Efficient Infringement' is another way to say 'it's okay to violate a constitutionally granted right.' That is no less an abuse of the patent system than those practiced by NPEs."). There is no sound policy reason for extending it to design patents, which are both more vulnerable to infringement and also easier to avoid infringing.

CONCLUSION

For the foregoing reasons, the judgment of the Court of Appeals should be affirmed.

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SAMSUNG ELECTRONICS CO., LTD.,
SAMSUNG ELECTRONICS AMERICA, INC., AND
SAMSUNG TELECOMMUNICATIONS AMERICA, LLC,
Petitioner,

v.

APPLE, INC.,
Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF OF BSA | THE SOFTWARE ALLIANCE AS *AMICUS CURIAE* IN SUPPORT OF NEITHER PARTY

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TABLE OF CONTENTS

Page

Table of Authorities ii

Interest of the *Amicus Curiae* 1

Summary of Argument 2

Argument 3

Design Patents Are Essential To Maintain An Innovative Software Industry—And Therefore Should Receive Appropriate Legal Protection. 3

A. The Software Industry Is A Key Engine Of America's Economic Growth. 3

1. Software is a critical contributor to the U.S. economy. 4

2. Protection of software inventions against infringement is critical to continued economic growth. 7

B. Design Patents Provide Important Legal Protection For Software. 9

1. Design patents play an important role in protecting software innovations. 11

2. Design patents provide protections for software that complement other forms of intellectual property and, in combination, properly incentivize innovation. 17

Conclusion 22

TABLE OF AUTHORITIES

Page(s)

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INTEREST OF THE *AMICUS CURIAE*

BSA | The Software Alliance is an association of the world's leading software and hardware technology companies. On behalf of its members, BSA promotes policies that foster innovation, growth, and a competitive marketplace for commercial software and related technologies. Because patent policy is vitally important to promoting the innovation that has kept the United States at the forefront of software and hardware development, BSA members have a strong stake in the proper functioning of the U.S. patent system.[1]

BSA's members advocate a balanced approach to patent enforcement litigation. BSA members are among the Nation's leading technology companies, producing much of the hardware and software that power computer and telecommunication networks. They thus pursue patent protection for their intellectual property and, as a group, hold a large number of patents. But, in light of their innovative products, they are frequently subject to unjustified patent infringement claims. BSA members therefore seek proper calibration of intellectual property rights.

The members of the BSA include Adobe, ANSYS, Apple, Autodesk, Bentley Systems, CA Technologies, CNC/Mastercam, DataStax, Dell, IBM, Intuit, Microsoft, Minitab, Oracle, salesforce.com, SAS Insti-

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[1] Pursuant to Rule 37.6, amicus affirms that no counsel for a party authored this brief in whole or in part and that no person other than amicus and its counsel made a monetary contribution to its preparation or submission. The parties' letters consenting to the filing of this brief have been filed with the Clerk's office.

tute, Siemens PLM Software, Splunk, Symantec, Tekla, The MathWorks, Trend Micro and Workday.

SUMMARY OF ARGUMENT

Design patents provide important legal protection for software innovations, and effective remedies for infringement of design patents are therefore essential to provide the incentives needed to maintain investment in this critical sector of our Nation's economy.

Software companies account for a significant—and a quickly growing—amount of spending on research and development. In addition, software innovations significantly improve productivity and efficiency for the broader economy. Developers rely on appropriate legal protections to safeguard their innovations; absent such intellectual property rights, developers would have little incentive to create the remarkable array of software systems that now touch on virtually every aspect of the modern world.

Utility patents address innovative software functions; design patents are essential to protect innovative design. In the software context, that protection encompasses "graphical user interfaces"—the user-friendly visual displays that allow virtually any user to interact with the complex technology.

Take, for example, the personal computer. Early computers required operators with significant technical skill: a user typically had to type in commands via an appropriate string of letters and numbers. The graphical operating systems developed by Apple (for its Macintosh computers) and Microsoft (for the Windows operating system) enabled personal computers to reach a mainstream audience. Now, graphical user interfaces are found everywhere—on smart

phones, automobile dashboards, and home thermostats.

Novel design in these elements often provides an important component of a software system's value. A highly functional software program that lacks attractive, intuitive design will have significantly-reduced value in the marketplace. And, in circumstances where competing software systems offer similar functionality, innovative design is often the most important basis on which companies compete.

Design patents provide unique protection for this area of innovation. No other form of intellectual property—including utility patents, copyrights, and trade dress—serves as a substitute. Design patents, with effective remedies for infringement, are therefore important to prevent appropriation of novel software design.

ARGUMENT

Design Patents Are Essential To Maintain An Innovative Software Industry—And Therefore Should Receive Appropriate Legal Protection.

A. The Software Industry Is A Key Engine Of America's Economic Growth.

Software is a key driver of the modern economy—"many breathtaking software-implemented innovations power our modern world, at levels of efficiency and performance unthinkable even just a few years ago." David Kappos, An Examination of Software Patents (Nov. 20, 2012), http://goo.gl/UZGdvw. PricewaterhouseCoopers' recent survey of the world's top software firms found that, as software becomes integrated into an ever-expanding array of consumer

goods, "[s]oftware companies are going to be in a prime position to meet the needs of nontech companies that want valuable capabilities embedded into their products." PwC Technology Institute, PwC Global 100 Software Leaders, at 8 (March 2014), http://tiny.cc/ltalby.

For the industry to continue to innovate, appropriate legal protection for software innovations is essential. Otherwise, some companies will quickly pilfer novel software elements, preventing developers from recouping on their investments—ultimately diminishing investment and depressing innovation.

1. Software is a critical contributor to the U.S. economy.

The software industry contributes to the economy by investing substantial amounts in research and development. This R&D spending provides a significant number of well-paying jobs to the American workforce, and it creates new technologies that spur innovation and growth throughout the economy.

Software investment is significant—and rapidly growing. In 2015, the computing, electronics, and software industries accounted for roughly 37.5% of the Nation's entire research and development spending—for a total of more than $50 billion dollars annually Barry Jaruzelski *et al.*, Global Innovation 1000: Innovation's New World Order, Strategy and Business (Winter 2015), http://tiny.cc/5i1kby. BSA member Microsoft alone spent more than $11.4 billion on R&D last year. *Ibid.*

Software is the fastest growing area of R&D spending in the entire economy. Between 2014 and 2015, the software and Internet sector increased R&D spending by 27.4%. *Ibid.* Over the past decade,

the sector's 13.2% average annual growth in R&D spending was the largest increase of any industry segment. *Ibid.*

The software industry garners more venture capital seed investment than any other sector, and it attracts the second-highest share of total investment. Nat'l Sci. Bd., Science & Engineering Indicators, at 6-90 (2016), http://tiny.cc/a25kby. The year-over-year increases in all stages of venture capital investment have jumped from $3.79 billion in 2010 to $5.34 billion in 2012 to $7.38 billion in 2014. *Id.* at 6-90 (Fig. 6-35).

U.S. software R&D spending now outstrips *industrial* R&D spending. The National Science Board recently confirmed that the information sector of the economy—two-thirds of which is driven by software—was responsible for 18% of business R&D in 2013, up from a 13% share in 2008. *Id.*, at 4-55 (2016), http://tiny.cc/wx5kby.

This heavy investment in research has resulted in unprecedented innovation. Companies producing software are among the nation's leading innovators. And they have made the United States the world's leader in creating new software. Jaruzelski, *supra.* Software companies achieved an astonishing rate of innovation: 69% of software firms reported introducing a new product or service in 2013, versus a 9% average among all nonmanufacturing companies. Nat'l Sci. Bd., supra, at 6-5, http://tiny.cc/a25kby.

Software companies also are significant generators of high-paying jobs. Currently, software companies and related services employ millions of U.S. workers, paying salaries that are far above the national average. Victoria Espinel, BSA President and

CEO, Testimony before the United States Senate Committee on the Judiciary, at 3 (Sept. 16, 2015), http://tiny.cc/bgsrby. BSA has projected that jobs in the software sector will grow at a rate of 3.1% through 2020. BSA, Powering the Digital Economy: A Trade Agenda to Drive Growth, at 4 (2014), http://tiny.cc/risrby. Additionally, data "strongly suggest that software is a significant source of expanded employment" and acts as a stronger "employment multiplier" than in other industries, given that every ten jobs in software support an additional five jobs in other industries. Robert J. Shapiro, The U.S. Software Industry: An Engine for Economic Growth and Development, SIIA White Paper at 6-7 (2014), http://tiny.cc/sc3kby.

Most importantly, software today provides the backbone for virtually all businesses, because "software supports" critical business functions including "finance, human resources, operations and logistic, sale and market." Santanu Kumar Misra & Amitava Ray, Integrated AHP-TOPSIS Model for Software Selection Under Multi-criteria Perspective, in Driving the Economy Through Innovation and Entrepreneurship 879, 879 (2013).

Innovations in information technology provide significant efficiencies in other industries, thus improving economic growth. Software helps companies "collaborate more effectively internally and externally, scale operations faster, operate more efficiently, and innovate and experiment more strategically." The Boston Consulting Group ("BCG"), The Great Software Transformation, at 11 (2013), http://goo.gl/ftyEz0. For example, software is now responsible for 80% of innovation in the automobile industry, just one of many sectors where products are increasingly

relying on sophisticated software solutions to improve efficiency, safety, and functionality. Peter Andén et al., *The Perils of Ignoring Software Development*, McKinsey Quarterly (February 2015), http://tiny.cc/qn2kby.

Today, "all companies are effectively tech companies." BCG, *supra*, at 11. It is no surprise, therefore, that the "key factor responsible for reversing the 20-year productivity slowdown from the mid-1970s to the mid-1990s" was information technology innovation. Robert D. Atkinson & Andrew S. McKay, Info. Tech. & Innovation Found. (ITIF), Digital Prosperity: Understanding the Economic Benefits of the Information Technology Revolution, at 10 (2007), http://tiny.cc/xbclby.

All of this investment and innovation has made the U.S. software industry the world's leader. Eight of the top ten corporations on the Pricewaterhouse-Coopers Global 100 Software Leaders list are based here. PwC Global 100 Software Leaders, *supra*, at 4. Other countries are attempting to catch up quickly through aggressive education programs and strategic investment. Scott Andes & Mark Muro, *Software: America's Hidden Manufacturing Advantage*, Brookings Institution: The Avenue (Feb. 25, 2014), http://tiny.cc/ahalby.

2. Protection of software inventions against infringement is critical to continued economic growth.

Software innovators rely upon legal protection to secure their investments. Absent adequate protections, companies will invest less, innovate less, and contribute less to economic growth and job creation.

As then-PTO Director David Kappos explained, "patent protection is every bit as well-deserved for software-implemented innovation" as for earlier innovations "that enabled man to fly, and before that for the innovations that enabled man to light the dark with electricity, and before that for the innovations that enabled the industrial revolution." Kappos, *supra*. Given the importance of software in driving increased productivity and new products and services throughout the economy, as well as the vital contribution by the software industry itself, appropriate legal protection for software innovations is critical to maintaining and promoting economic growth.

Precluding theft of software design is necessary to ensure that those who invest in research and development reap proper rewards—and thus have a sufficient incentive to make the investments in the first place. Software companies rely on patent protection to protect and promote fair returns on their massive investments in research and development. Martin Goetz, *Misconceptions About Software Patents*, Forbes (Mar. 12, 2013), http://tiny.cc/l4clby. See also Julie E. Cohen & Mark A. Lemley, *Patent Scope and Innovation in the Software Industry*, 89 Cal. L. Rev. 1, 5 (2001) ("[B]oth economic theory and practical experience suggest that the availability of patents for software promotes innovation by supplying (additional) incentives to inventors.").

Leading software companies obtain patents to protect software innovations. See Maulin Shah, *Software Patents Are Resilient in the Wake of Alice Corp. v. CLS Bank*, PatentVue (Sept. 9, 2015), http://tiny.cc/5qdlby. Companies' continued reliance

on such patents demonstrate their importance in protecting innovation.

These legal protections are particularly crucial for small and startup companies. Effective legal protection, principally through patents, "is significantly correlated with any of several variables that are indicators of the firm's progress through the venture capital cycle (including number of rounds, total investment, and longevity)." Ronald J. Mann & Thomas W. Sager, *Patents, Venture Capital, and Software Start-Ups*, 36 Res. Pol'y 193, 194 (2007), http://tiny.cc/pydlby. Indeed, "[f]or small-scale developers, a software patent may be the only effective way to develop and market an innovative new form of software without having key features of the software scooped up by large competitors with no compensation to the small innovator." Richard S. Gruner, *Better Living Through Software: Promoting Information Processing Advances Through Patent Incentives*, 74 St. John's L. Rev. 977, 1065-1066 (2000) (noting that software patents also benefit larger companies by allowing them to play defense and ensure their control over their new designs).

B. Design Patents Provide Important Legal Protection For Software.

Utility patents protect software's functional aspects. Another just-as-critical element of software—particularly software powering the myriad devices that use screens to convey information and receive a user's commands—is the "graphical user interface" through which user interaction occurs. Design patents play an essential role in protecting this critical component of software's value.

Early computing systems lacked user-friendly in terfaces; they were text-only systems, such as th classic DOS interface made up of letters, numbers and a blinking cursor. This approach had significan built-in limitations—only an individual with signifi cant technological knowledge could make use of it greatly reducing the popular adoption of such soft ware and the devices that it powered.

Graphical user interfaces substitute novel, user friendly images for technical jargon, enabling the us er to access the software's varied functions throug common-sense icons and words. These intuitive, us er-friendly graphic interfaces enable the integratio of software into the myriad of devices and product in which it is used today.

By making software functions accessible withou technological expertise, these interfaces are largel responsible for the rise of personal computing. Emai systems, word processing, and an array of othe productivity-enhancing technology became accessibl to any user. The interfaces in Apple's Macintosh op erating system and Microsoft's Windows program— which combined easily-understood interfaces wit these functions—were therefore instrumental devel opments in computer technology, significantly con tributing to the computer and Internet revolutio that has touched virtually every aspect of moder life.

Now, the software that powers our smart phones our automobile dashboards, and even our thermo stats similarly relies on graphical interfaces tha permit individuals—with no technological training— to interact with sophisticated software systems These design elements, combined with the software'

underlying functionality enable users to realize the true value of the product

Interface design is also a key means by which software companies compete: while the underlying software functions may be similar—indeed, perhaps indistinguishable to an average consumer—the *design* of the user interface is at the forefront of a product. How software looks and feels to the consumer is a key driver in the marketplace.

User interfaces thus provide a substantial portion of the value of a particular piece of software, making the functional features of software accessible, intuitive, and aesthetically pleasing for users. Protection of such software features, through design patents that receive appropriate legal protection, is thus crucial to continued development and innovation in this important industry. That is particularly true because design patents provide legal protections that are not available through utility patents, copyrights, or trade dress.

1. Design patents play an important role in protecting software innovations.

Design patents are not at all a new feature on the U.S. intellectual property landscape, having arrived by statute in 1842. See generally Thomas B. Hudson, *A Brief History of the Development of Design Patent Protection in the United States*, 30 J. Pat. Off. Soc'y 380 (1948). Design patents have protected the appearance of a great number of iconic American designs and images. The Eames chair was protected by a design patent (U.S. Patent No. D155,272 (issued Sept. 20, 1949)) as was the Gibson "Flying V" guitar (U.S. Patent No. D181,867 (issued Jan. 7, 1958)),

and, perhaps most famously, the Coca-Cola bottle (U.S. Patent No. D48,160 (issued Nov. 16, 1915)).

As the U.S. economy increasingly shifts to the digital world, innovators seek this same form of protection for software's design features, such as graphical images and user interfaces that developers employ in making their products both unique and attractive to consumers—the images that consumers see on the screen of the device (smartphone, computer, etc.) that is using the software.

There is, therefore, a thirty-year history of design patents in the software context. Xerox Corporation was an early applicant for such protection; it received patents for a menu bar and several icons it had designed—small images of a telephone, wastebasket, and dictionary, among others—in May 1988. Daniel J. Kluth & Steven W. Lundberg, *Design Patents: A New Form of Intellectual Property Protection for Computer Software*, 70 J. Pat. & Trademark Off. Soc'y 847, 847, 853 (1988). Patent commentators at the time treated this as revolutionary, announcing that "Xerox has discovered a new form of protection for the 'look and feel' of computer software." *Id.* at 847.

In 1996, the PTO specifically recognized the importance of design to software innovation. It released interim guidelines for issuing design patents for computer-generated icons, and sought notice and comment on the interim standards. See 60 Fed. Reg. 52,170-01 (1995).

PTO's final guidance included a statement of "[g]eneral [p]rinciple" that "[t]he PTO considers designs for computer-generated icons embodied in articles of manufacture to be statutory subject matter el-

igible for design patent protection under section 171." 61 Fed. Reg. 11,380-03, 11,381 (1996). Therefore, "if an application claims a computer-generated icon shown on a computer screen, monitor, other display panel, or a portion thereof, the claim complies with the 'article of manufacture' requirement of section 171." *Ibid.*

Importantly, the PTO's guidelines provided broad protection for such icons and images: the agency stated that it would "simply require a depiction of an article of manufacture in either solid or broken lines." *Ibid.*

The guidelines' flexibility with respect to graphical user interfaces, is particularly important in ensuring appropriate protection. For example, a "design patent applicant need not embody the entire design in a single set of figures," because the designer may "use a combination of phantom and solid lines to selectively protect certain aspects of the design in a particular design patent, and then use the combination of multiple design patents to protect the entire ornamental look of the device." Timothy W. Menasco, *Electronics Cos. Shouldn't Shy Away from Design Patents*, Law360 (Sept. 18, 2015), http://tiny.cc/f45oby (describing how protection for various design elements of Apple's iPhone constitutes protection of the design of the device as a whole).[2]

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[2] These guidelines were later amended to encompass animated designs, providing an important additional form of protection for software design and thus "a powerful tool to obtain meaningful protection for innovators." *See* David Leason, *Design Patent Protection for Animated Computer-Generated Icons*, 91 J. Pat. & Trademark Off. Soc'y 580, 592-593 (2009).

The industry responded quickly to PTO's 1996 guidelines. Within a year, the number of design patents granted for graphical computer designs was greater than the number for the prior ten years combined. Jason J. Du Mont & Mark D. Janis, *Virtual Designs*, 17 Stan. Tech. L. Rev. 107, 134 (2013).

The PTO's endorsement of design patents for software elements directly preceded the explosion of mobile device technology—particularly smart phones and the "apps" that populate them. See Standing Committee on the Law of Trademarks, Industrial Design, and Geographical Indications, World Intellectual Property Organization (WIPO), *Proposal by the Delegations of the United States of America and Japan*, at 2 (Apr. 11, 2016), http://tiny.cc/1gmoby. Companies' ability to protect their software designs provided an important impetus for substantial investment in innovative design.[3]

Indeed, grants of graphical design patents increased dramatically in the mid-2000s, and the number continues to rise. Du Mont & Janis, *supra*, at 133-138. In the past twelve months, the PTO has issued more than 2,000 design patents related to software and graphical user interfaces.[4] Design pa-

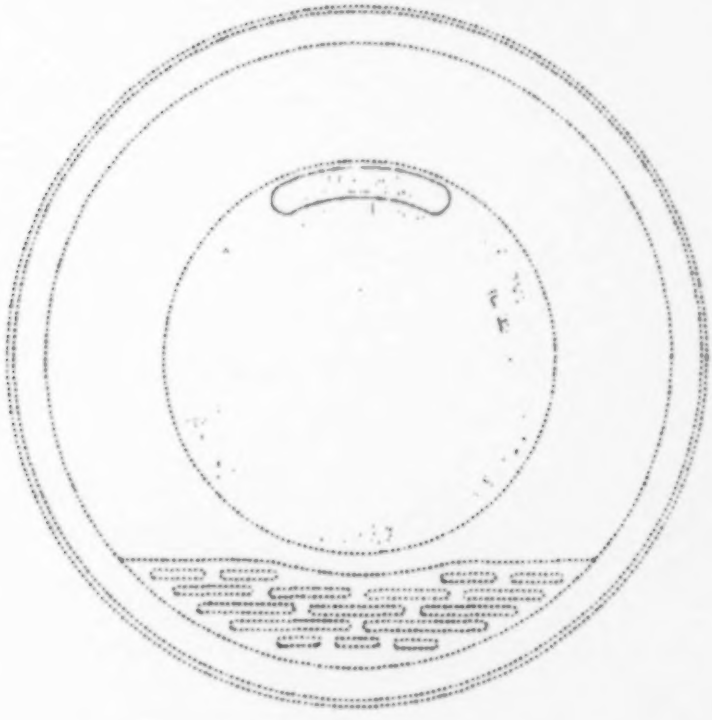
---

[3] Although Section 171 provides design patent protection for "any new, original and ornamental design for an article of manufacture," the patent owner may sue for infringement when "the patented design or any colorable imitation thereof" is applied to "*any article of manufacture* for the purpose of sale" or "*any article of manufacture*" to which the design or colorable imitation is applied, sold, or exposed for sale. 35 U.S.C. § 289(1) (emphasis added). The statute thus makes clear that the design patent is violated when the design is applied to an article of manufacture different from the one for which it was invented.

[4] We have examined the PTO's weekly gazette, which publishes statistics regarding granted design patents. We have totaled

tents in the software field are growing at a rate faster than any other industry and consumers have benefited from the increased ease of accessing software functions resulting from this investment in improved design. Rachel Stigler, *Ooey GUI: The Messy Protection of Graphical User Interfaces*, 12 Nw. J. Tech. & Intell. Prop. 215, 239 (2014).

Today, design patents protect a broad range of graphical user interfaces. Patents granted by the PTO run the gamut from the familiar to the cutting-edge. The animated graphical interface of the Internet-enabled Nest learning thermostat, for example, received design patent protection in 2013. U.S. Patent No. D687,047 (issued July 30, 2013).



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the design patents granted in the D14 category, subclasses 485 to 495, which cover software and graphical user interfaces.

The ubiquity of software design patents demonstrates the importance to software innovators (and to consumer product companies that integrate software into their products) of protecting innovative designs. This is due in substantial part to the fact that "high-technology is not often clearly demonstrable except through the goods' outer appearance, which is frequently the target of copyists," meaning that "[d]esign patents have proved to be especially important" for such products. Barton Beebe, *Intellectual Property Law and the Sumptuary Code*, 123 Harv. L. Rev. 809, 863-864 (2010).

As Professor Beebe explained, "[d]esign patents enable the designers of such products to convert the absolute utility that they have created into clearly demonstrable (and protectable) forms of relative utility, which may be the primary form of utility that high-technology consumers ultimately desire." *Id.* at 864. Together, design patents and utility patents provide complementary protections that allow software creators to realize the full value of their innovations.

In addition, software design patents—like all design patents—promote competition that, in turn, produces more innovation. By enabling a software maker to secure intellectual property rights to graphical user interfaces and other ornamental features of software, design patents make the design elements a basis on which different software systems compete for market share. If the graphical user interface were not protectable, then all software developers would simply pilfer whatever *existing* interfaces are preferred in the marketplace—gutting any incentive for further innovation.

Finally, design patents enable software creators to continue to develop their innovative designs. After receiving an initial design patent, PTO guidelines permit holders of design patents to apply for further design patents "to add slight variations or a different focus of protection to an already patented design." Stigler, *supra*, 242. These continuation patents are retroactive to the date of the original design patent and allow a developer "to stay one step ahead of infringers," which incentivizes creative designs that benefit consumers. *Id.* at 242-243.

Design patents for software thus foster innovation by promoting competition among market participants based on novel designs. They enable companies to invest substantial sums in software development relating to the "look" and "feel" of software to consumers, because the design patent protects novel graphical user interfaces against infringement.

Put differently, in the current environment, a highly-functional software package has reduced market value absent innovative design; for this reason, design patents safeguard a very substantial aspect of the value of software innovation. Continued protection is therefore critical to encourage companies to invest substantial R&D capital in software development.

2. Design patents provide protections for software that complement other forms of intellectual property and, in combination, properly incentivize innovation.

Design patents are an essential aspect of the multifaceted intellectual property regime that protects software inventions. They secure important

rights not protected by a utility patent, copyright, or trade dress.

A household lamp, as Professor McCarthy explains, may be protected by multiple different rights: the lamp base (assuming it qualifies as a "work of art") is copyrightable; the electric circuit or bulb is subject to a utility patent; the label on the lamp can serve as a trademark; and, finally, the ornamental shade can receive a design patent. 1 McCarthy on Trademarks and Unfair Competition § 6.5 (4th ed. 1996). In the landmark decision *Mazer* v. *Stein*, 347 U.S. 201 (1954), the Court concluded that, while a lamp itself is functional, its base may nonetheless be subject to copyright protections if it qualifies as a "work of art." See also *Kohler Co. v. Moen Inc.*, 12 F.3d 632, 638 (7th Cir. 1993) ("[C]ourts have consistently held that a product's different qualities can be protected simultaneously, or successively, by more than one of the statutory means for protection of intellectual property.").

Design patents provide a critical complement to utility patents, because the latter do not protect designs. See 35 U.S.C. § 101. While utility patents provide important protection for a variety of innovative software functions (such as data compression or cryptography, to name just a few areas in which software utility patents are crucial), they cannot protect the "look" and "feel" of software.

The protection provided by copyrights also differs materially from design patents. "Unlike a patent, a copyright gives no exclusive right to the art disclosed; protection is given only to the expression of the idea—not the idea itself." *Mazer*, 347 U.S. at 217. Thus, a copyright protects "art" while a design pa-

tent protects "the invention of original and ornamental design." *Id.* at 218.

A software copyright, for example, typically covers software *code*, but not necessarily its designs. Design patents, by contrast, protect the intricate, ornamental individual elements of the graphical interface. See Michael Risch, *Functionality and Graphical User Interface Design Patents*, 17 Stan. Tech. L. Rev. 53, 90 (2013).

In some circumstances, specific images may also be subject to copyright. But the proof necessary to demonstrate infringement differs between copyright and design patents. Copyright infringement requires "substantial similarity not only of the general ideas but of the expressions of those ideas." *Sid & Marty Krofft Television Prods., Inc.* v. *McDonald's Corp.*, 562 F.2d 1157, 1164 (9th Cir. 1977). This "substantial similarity" analysis applies to software copyright claims. *Computer Assocs. Int'l, Inc.* v. *Altai, Inc.*, 982 F.2d 693, 706 (2d Cir. 1992).

To show infringement of a design patent, "[t]he patentee must establish that an ordinary observer, familiar with the prior art designs, would be deceived into believing that the accused product is the same as the patented design." *Richardson* v. *Stanley Works, Inc.*, 597 F.3d 1288, 1295 (Fed. Cir. 2010). The test considers the "overall effect on the designs" in determining whether there is "market confusion." *Ibid.* Thus, the "the 'colorable imitation' standard of the design patent statute involves the concept of equivalents." *Pac. Coast Marine Windshields Ltd.* v. *Malibu Boats, LLC*, 739 F.3d 694, 701 (Fed. Cir. 2014). In the context of software graphical user interfaces, this test provides protection that may not be

available under copyright law (but is limited by the shorter term of patent protection).

Trade dress principles also fall short of providing the necessary protection for software design. Trade dress is generally defined as "the total image, design, and appearance of a product and may include features such as size, shape, color, color combinations, texture or graphics." *Clicks Billiards, Inc.* v. *Sixshooters, Inc.*, 251 F.3d 1252, 1257 (9th Cir. 2001). This form of intellectual property protection is difficult to obtain, particularly for a graphical user interface, because the interface must "reach near-famous status before reaping any protection benefits." Stigler, *supra*, at 216.

That limitation poses special problems when a smaller innovator launches a new product. To the extent that widespread commercial acceptance of a product factors into the trade dress analysis, newly-developed software will garner little protection. But products are often most vulnerable to imitation by large incumbents at this early juncture—when software is released and thus seeking widespread market adoption. Design patents are crucial to ensure that the creator of an innovative design is able to obtain a proper toehold in the marketplace.

Trade dress suffers from other limitations, too. Plaintiffs attempting to prove a trade dress violation must generally show "(1) that its claimed dress is nonfunctional; (2) that its claimed dress serves a source-identifying role either because it is inherently distinctive or has acquired secondary meaning; and (3) that the defendant's product or service creates a likelihood of consumer confusion." *Millennium Labs., Inc.* v. *Ameritox, Ltd.*, 817 F.3d 1123, 1126 n.1 (9th Cir. 2015).

In the context of software design, these elements may be difficult, if not impossible, to satisfy. For example, the design elements may not be inherently distinctive within the meaning of the trademark laws. Typically, this showing can be made only after the trade dress is used in commerce. Design patents, by contrast, face no such incongruous requirements; "[u]nlike trade dress protection, there is no requirement that a design be 'used in commerce' prior to applying for a design patent." See Burstein, *supra*, at 331.

Similarly, a competitor may avoid trade dress infringement through clear attribution of a product, which could negate the needed showing of a "likelihood of consumer confusion." For example, a software developer could closely mimic the "look" and "feel" of a certain successful graphical user interface, but it could include a label (or graphic) clearly identifying the software in question as the product of a different company, thus precluding consumer confusion. While this behavior could defeat a trade dress claim, the protections of a design patent are not so easily overcome. See Sarah Burstein, *Moving Beyond the Standard Criticisms of Design Patents*, 17 Stan. Tech. L. Rev. 305, 331 (2013).

Beyond that, trademarks can lose protection if they become a generic mark for a particular sort of product. See, *e.g.*, *King-Seeley Thermos Co.* v. *Aladdin Indus., Inc.*, 321 F.2d 577, 578 (2d Cir. 1963) (discussing genericness of "thermos"); *Bayer Co.* v. *United Drug Co.*, 272 F 505, 512 (S.D.N.Y. 1921) (discussing genericness of "aspirin"). Design patents do not suffer from this risk of becoming an unprotected generic, but they are limited in duration to no more than 15 years. See 35 U.S.C. § 173.

Indeed, courts invalidating trade dress protection based on the presence of a functional element have observed that design patent protection is a comparatively superior method of safeguarding design innovations. Jason J. Du Mont & Mark D. Janis, *The Origins of American Design Patent Protection*, 88 Ind. L.J. 837, 844 & nn.38-39 (2013). It is no surprise, therefore, that design patents provide important protections for software innovations.

* * *

In order to properly incentivize the creation of new, innovative software, and to protect developers against unauthorized appropriation by competitors, software design patents are essential. They are often the only meaningful way to protect the look and feel of innovative graphical user interfaces, which are an integral part of consumers' experience of the software itself. Effective remedies for design patent infringement are therefore essential to protect this valuable form of intellectual property.

CONCLUSION

Design patents provide an essential element of legal protection for software innovations. This Court should ensure that design patents in the software context receive appropriate protection against infringement.

Respectfully submitted.

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IN THE

Supreme Court of the United States

SAMSUNG ELECTRONICS CO., LTD.,

Petitioner,

v.

APPLE INC.,

Respondent.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF *AMICUS CURIAE* OF THE COMPUTER & COMMUNICATIONS INDUSTRY ASSOCIATION IN SUPPORT OF PETITIONER

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TABLE OF CONTENTS

Page

TABLE OF CONTENTS..... i

TABLE OF CITED AUTHORITIES ii

INTEREST OF *AMICUS CURIAE* 1

RELEVANT CONSTITUTIONAL PROVISIONS AND STATUTES.....1

INTRODUCTION AND SUMMARY OF ARGUMENT.....1

ARGUMENT.....4

I. The Federal Circuit's Interpretation of Section 289 Expands the "Exclusive Right" Described in the Progress Clause to Far More Than the Inventor Invented 5

II. The Constitutionality Concerns With Respect to Section 289 Can Be Avoided By Not Limiting "Article of Manufacture" to Goods Sold to the Public.....9

III. Patent Assertion Entities Will Use The Federal Circuit's Interpretation of Section 289 to Increase Their Leverage 13

CONCLUSION 16

TABLE OF CITED AUTHORITIES

Page

CASES

Bonito Boats, Inc. v. Thunder Craft Boats, Inc.,
489 U.S. 141 (1989) 8

Graham v. John Deere Co.,
383 U.S. 1 (1966) 8

Jones v. United States,
529 U.S. 848 (2000) 9

Pacific Coast Marine Windshields Ltd. v. Malibu Boats, LLC,
No. 6:12-cv-00033 (M.D. Fla. Aug. 22, 2014) 3

Tidewater Oil Company v. United States,
171 U.S. 210 (1898) 10

United States ex rel. Attorney General v. Delaware & Hudson Co.,
213 U.S. 366 (1909) 9

STATUTES

17 U.S.C. § 1301 ..... *passim*

17 U.S.C. § 1309 12

17 U.S.C. §§ 1310–20 11

17 U.S.C. § 1329 12

Cited Authorities

Page

35 U.S.C. § 289. ..... *passim*

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Page

Sarah Burstein, *The Patented Design*, 83 TENN. L. REV. 161 (2015).....10

CONSTITUTIONAL PROVISIONS

U.S. CONST., art. I, § 8, cl. 8 ..... 1, 2, 5, 8

INTEREST OF *AMICUS CURIAE*[1]

The Computer & Communications Industry Association ("CCIA") is an international, nonprofit association representing a broad cross section of computer, communications and Internet industry firms employing more than 750,000 workers and generating annual revenues in excess of $540 billion.[2]

RELEVANT CONSTITUTIONAL PROVISIONS AND STATUTES

> To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.

U.S. CONST., art. I, § 8, cl. 8 ("Progress Clause").

> Whoever during the term of a patent for a design, without license of the owner,
>
> > (1) applies the patented design, or any colorable imitation thereof, to any article of manufacture for the purpose of sale, or

---

1. No counsel for any party authored this brief in whole or part; no such party or counsel made a monetary contribution intended to fund its preparation or submission; and no person other than *amicus* made such a contribution. All parties have consented to the filing of this brief.

2. A list of CCIA members is available at http://www.ccianet.org/members. Petitioner Samsung is a CCIA member, but took no part in the preparation of this brief.

> (2) sells or exposes for sale any article of manufacture to which such design or colorable imitation has been applied shall be liable to the owner to the extent of his total profit, but
>
> not less than $250, recoverable in any United States district court having jurisdiction of the parties.
>
> Nothing in this section shall prevent, lessen, or impeach any other remedy which an owner of an infringed patent has under the provisions of this title, but he shall not twice recover the profit made from the infringement.

35 U.S.C. § 289.

INTRODUCTION AND SUMMARY OF ARGUMENT

The Court should vacate the decision below and instruct the Federal Circuit to apply 35 U.S.C. § 289 correctly.

The Federal Circuit's decision with respect to design patent damages raises constitutional concerns, is a misreading of the statute, and is dangerous to the technology industry. The decision below interprets Section 289 to expand the exclusive right granted by a design patent well beyond the powers granted to Congress by the Progress Clause. The Progress Clause grants Congress the power to give an inventor "the exclusive right" to her "discoveries."

By interpreting the term "article of manufacture" to apply only to articles sold to "ordinary purchasers," the Federal Circuit's decision gives the inventor of a fairly narrow "discovery" the right to the profits made on a complex device that is the result of literally thousands of separate, patented, innovations. This interpretation of the statute effectively grants exclusive rights over a device covered by tens of thousands of utility patents, even though the "discovery" covered by the patent-in-suit is an ornamental feature.

The constitutionality problem is avoidable by interpreting the statute more naturally: the term "article of manufacture" as used in 35 U.S.C. § 289 must refer to the smallest article to which the patented design is applied, not a larger device that incorporates the article as one of its components. Were it not, a design patent covering a windshield for a boat could be liable for profits on the entire boat. *See Pacific Coast Marine Windshields Ltd. v. Malibu Boats, LLC*, No. 6:12-cv-00033, slip op. at 19–22 (M.D. Fla. Aug. 22, 2014).

The Federal Circuit misinterpreted "article of manufacture" to mean the "product of manufacture," *i.e.*, the product sold to customers. But Congress does not use those terms synonymously. In the Vessel Hull Design Protection Act, which is based in part on design patent law, Congress used the terms distinctly. Congress never intended the "article of manufacture" to automatically swallow the end-good in which the article incorporating an infringing design is included.

If the decision below is allowed to stand, design patent infringement will become a new tool for patent assertion

entities to use to gain leverage. Indeed, within a few weeks of the Federal Circuit's decision, a patent assertion entity used the decision to threaten Samsung itself with design patent infringement.

This issue is of great concern to CCIA's member companies, many of whom sell or market complex electronic devices that incorporate many different designs. If the Federal Circuit's interpretation of Section 289 is affirmed, CCIA's member companies could be faced with potentially massive exposure to attack using design patents. Such a rule would disproportionately penalize complex integrators, discouraging enterprises from bringing complex products and services to market.

ARGUMENT

The decision below interprets the term "article of manufacture" in Section 289 to be limited to articles sold to "ordinary purchasers." *See* Pet. App. 29a. The Federal Circuit's interpretation of 35 U.S.C. § 289 raises serious constitutional concerns and has the potential to create large problems for the technology industry. Moreover, this interpretation is inconsistent with Congress's usage of the term "article of manufacture" in a related statute, the Vessel Hull Design Protection Act.

The sheer number of potential design patents that could apply to a single smartphone exposes manufacturers to grossly unjust liability. For example, Apple has about 200 active design patents entitled "Electronic device." If Samsung were sued on each of those patents by separate entities, Samsung's potential damages would be many billions of dollars.

If the Federal Circuit's interpretation of Section 289 is allowed, the result would be damaging to the entire smartphone industry, as well as manufacturing of other electronic devices. Manufacturers would have to account for the risk of liability for design patent infringement, which could result in the loss of the entire profit for a product line several times over. This increased risk would increase costs and likely reduce the number of products available to the public.

Accordingly, CCIA respectfully requests that this Court vacate the Federal Circuit's decision with respect to design patent damages and provide clarification on the proper application of 35 U.S.C. § 289.

I. The Federal Circuit's Interpretation of Section 289 Expands the "Exclusive Right" Described in the Progress Clause to Far More Than the Inventor Invented

The interpretation of Section 289 used by the Federal Circuit raises constitutional concerns because it grants a design patent an effective monopoly over an entire smartphone based solely on certain ornamental features. Considering that nearly all of the value of a device like a smartphone comes from its functionality, this breadth of scope would transform a design patent into a sort of super-utility patent, allowing a design patentee to control an industry in a way that would be nearly impossible with utility patents.

This expansion in scope of a design patent grants an inventor exclusive right over *far* more than she invented. This is not simply a question of where exactly to draw

boundaries over patent scope. For example, Apple's patents specifically *disclaim* the part of the device containing all of the inner workings. That is, the drawings claim only the front face of the device, and the rest of the device is shown in dotted lines, which indicate *unclaimed* subject matter, as shown in Figures 3 and 7 from U.S. Patent No. D593,087:

FIG. 3

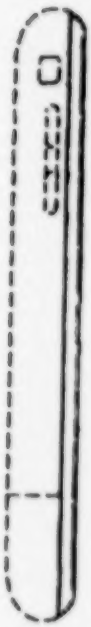

FIG. 7

U.S. Patent No. D618,677 is similar:

FIG. 1

FIG. 2

And U.S. Patent No. D604,305 shows only a screen without any device:

FIG. 2

Despite this express disclaiming of scope, the Federal Circuit granted damages based on the profits of entire Samsung smartphones. These are devices whose technology is covered by literally tens of thousands of patents and many thousands of innovations that are in the public domain. Yet a single design patent grants Apple, effectively, the exclusive right to those devices, even though Apple admits in its patents that they do not include the innovations inside the device.

If infringing a single design patent can result in the loss of all profits made from a complex device, many (if not most) companies will avoid the risk of infringement altogether by staying out of the market. Accordingly, the result is the same as if the design patent owner held all of the patents for the entire device: new products and innovations are blocked from the market. While the design patent scope may not be coextensive with the scope of the utility patents covering the relevant device, the Federal

Circuit's interpretation of Section 289 certainly increases design patent scope far beyond just the actual patented design. This expansion of scope is beyond Congress's power under the Progress Clause.

> The Congress in the exercise of the patent power may not overreach the restraints imposed by the stated constitutional purpose. Nor may it enlarge the patent monopoly without regard to the innovation, advancement or social benefit gained thereby. Moreover, Congress may not authorize the issuance of patents whose effects are to remove existent knowledge from the public domain, or to restrict free access to materials already available.

Graham v. John Deere Co., 383 U.S. 1, 5–6 (1966). It is undeniable that the ornamental features described in Apple's design patents contribute a tiny fraction of the innovations contained in a smartphone.

While Congress has broad authority to legislate with respect to patents, it is not allowed to remove knowledge from the public domain or grant a monopoly to an inventor far beyond what the inventor has contributed to the public. "[T]he [Patent] Clause contains both a grant of power and certain limitations upon the exercise of that power." *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 146 (1989).[3] The Federal Circuit's interpretation of Section 289, however, impermissibly expands Congress's power beyond its Constitutional grant of authority.

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3. The Vessel Hull Design Protection Act was enacted in part to respond to the holding in *Bonito Boats* that states could not enact vessel hull protection. H.R. REP. NO. 105-436, at 12–13 (1998).

II. The Constitutionality Concerns With Respect to Section 289 Can Be Avoided By Not Limiting "Article of Manufacture" to Goods Sold to the Public

The Federal Circuit created a constitutional problem, discussed above, *supra* 5, by incorrectly limiting the term "article of manufacture" to articles sold to "ordinary purchasers." *See* Pet. App. 29a. This Court, however, can avoid that constitutional problem by interpreting "article of manufacture" to mean merely an article that is manufactured, *i.e.*, by limiting design patent scope to the smallest physical article (*e.g.*, the chassis of a smartphone) to which the patented design is applied. "[W]here a statute is susceptible of two constructions, by one of which grave and doubtful constitutional questions arise and by the other of which such questions are avoided, our duty is to adopt the latter." *Jones v. United States*, 529 U.S. 848, 857 (2000) (quoting *United States ex rel. Attorney General v. Delaware & Hudson Co.*, 213 U.S. 366, 408 (1909)).

The term "article of manufacture" means simply, an article that is manufactured. As this Court noted more than a century ago in a different context:

> The primary meaning of the word "manufacture" is something made by hand, as distinguished from a natural growth, but, as machinery has largely supplanted this primitive method, the word is now ordinarily used to denote an article upon the material of which labor has been expended to make the finished product. Ordinarily the article so manufactured takes a different form, or at least subserves a

> different purpose, from the original materials, and usually it is given a different name. Raw materials may be, and often are, subjected to successive processes of manufacture, each one of which is complete in itself, but several of which may be required to make the final product. Thus, logs are first manufactured into boards, planks, joists, scantlings, etc., and then by entirely different processes are fashioned into boxes, furniture, doors, window sashes, trimmings, and a thousand and one articles manufactured wholly or in part of wood. The steel spring of a watch is made ultimately from iron ore, but, by a large number of processes or transformations, each successive step in which is a distinct process of manufacture and for which the articles so manufactured receives a different name.

Tidewater Oil Company v. United States, 171 U.S. 210, 216 (1898). Nothing in the legislative history of 35 U.S.C. § 289 or the rest of the Patent Act suggests that "article of manufacture" should mean anything other than the plain meaning of the term.

At least one commentator has expressly argued that the term "article of manufacture" should be considered as distinct from the term "product," which she defines as "something sold by an enterprise to its customers." Sarah Burstein, *The Patented Design*, 83 TENN. L. REV. 161, 208 (2015).

> Under this definition, "product" would not be a synonym for "article of manufacture."

> For example, naturally-occurring items such as berries could be sold as a "product" but they would not fall under any reasonable interpretation of the statutory phrase "article of manufacture." And multiple articles of manufacture can be sold as a single product—for example, a set of flatware containing a spoon, a knife, and a fork.

Id. It is simply common sense that "article of manufacture" is not limited to "products."

The Vessel Hull Design Protection Act ("VHDPA"), a *sui generis* form of protection for boat hull designs, also provides strong evidence that an "article of manufacture" is not restricted to a product sold to customers. The VHDPA was enacted to fill a particular gap in intellectual property protection for the industrial designs of boat hulls. Design patents can be difficult to obtain for boat hull designs, because ornamental features may be considered "dictated by functional considerations." H.R. REP. No. 105-436, at 11 (1998). Because a boat hull design is typically functional (*e.g.*, it may improve boat performance), it can be ineligible for protection by copyright. *Id.* The VHDPA offers protection of both ornamental and functional features of hull designs. *See* 17 U.S.C. §§ 1301 *et seq.* Hull designs are registered for protection with the Copyright Office and are not examined as design patents are. *See* 17 U.S.C. §§ 1310–20.

The VHDPA expressly distinguishes between a "product of manufacture" (*i.e.*, a boat) and an "infringing article" (*i.e.*, a vessel hull): "A person who incorporates into that person's *product of manufacture* an infringing

article acquired from others in the ordinary course of business . . ." 17 U.S.C. § 1309(d) (emphases added). An "infringing article" is "any *article* the design of which has been copied from a design protected under this chapter, without the consent of the owner of the protected design." 17 U.S.C. § 1309(e) (emphasis added). That is, an "article" is the object that infringes (in this case, a boat hull), but a "product of manufacture" is the entire consumer product incorporating that infringing article.

The VHDPA coordinates its protection with design patents to ensure that no one receives both a VHDPA registration and a design patent for the same boat hull: "The issuance of a design patent under title 35, United States Code, for an original design for an *article of manufacture* shall terminate any protection of the original design under this chapter." 17 U.S.C. § 1329 (emphasis added). The "article of manufacture" referred to in Section 1329 of the VHDPA is a boat hull, *not* an entire boat sold to ordinary consumers. *See* 17 U.S.C. § 1301(a)(2) ("The design of a vessel hull, deck, or combination of a hull and deck, including a plug or mold, is subject to protection under this chapter. . ."). Given that Congress deliberately intended to coordinate design patents with VHDPA protection for boat hulls, it must have intended the term "article of manufacture" to take the same meaning in both statutes.[4]

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4. Apple complains that "the 1887 Congress's intent [cannot] be discerned from a very different (and '*sui generis*') law enacted well over a century later." Resp. Br. at 29 n. 12. This is a red herring. Congress made clear its *current* understanding of the term "article of manufacture," as used in both the VHDPA and the Patent Act. The two acts are expressly linked by 17 U.S.C. § 1329; Congress must have intended the term "article of manufacture" to have the same meaning in both statutes.

Moreover, the designs at issue in two of the patents-in-suit, the '087 and '677 patents, are for part of the "chassis" of an electronic device. Apple actually purchases the chassis from its suppliers. Christopher Manasians, *Where are the iPhone, iPad and Mac designed, made and assembled? A comprehensive breakdown of Apple's product supply chain*, MacWorld (Apr. 18 2016), http://www.macworld.co.uk/feature/apple/are-apple-products-truly-designed-in-california-made-in-china-iphonese-3633832/. That is, the chassis is an article of manufacture. Indeed, it is the "article of manufacture" that should have been used in assessing damages. The screen depicted in the '305 patent is also a separate article of manufacture.

Limiting "article of manufacture" to its plain meaning avoids any constitutional concerns. An inventor would be limited to damages based on the article actually depicted in his or her design patent. That is completely consistent with the power to "secur[e] for limited Times to ... Inventors the exclusive Right to their ... Discoveries."

III. Patent Assertion Entities Will Use The Federal Circuit's Interpretation of Section 289 to Increase Their Leverage

This case is important to the thousands of businesses that are the targets of patent assertion entities ("PAEs"), also called patent monetization entities. PAEs are companies whose business is licensing and enforcing patents, typically using purchased patents. PAEs cost the U.S. economy billions of dollars per year, targeting businesses of all sizes and in a wide variety of industries. PAEs were responsible for more than 60% of patent

litigations in 2015,[5] and 60% of the defendants were small businesses (*i.e.*, businesses with less than $100 million in annual revenue).[6]

The PAE business model relies on the difficulty of proving patents invalid. PAEs are profitable because accused infringers have a strong incentive to settle. It is extremely expensive to defend against a patent infringement claim, in large part because there are few ways to dismiss even a weak claim on the pleadings. Accordingly, nearly every such case will require discovery, which costs hundreds of thousands, or even millions of dollars. In 2012, the mean cost through the end of discovery for cases filed by PAEs worth less than $1 million was $516,000; for such cases with $1 to 10 million at risk, that figure was $998,000; and for cases with $10 to $25 million at risk, the mean cost through the end of discovery was over $1.7 million.[7]

Because smartphones (and similarly complex electronic devices) provide enormous functionality, the value of a smartphone is much greater than any ornamental feature. Few would buy an empty case that looked like a smartphone but did nothing.

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5. RPX, *2015 Report: NPE Litigation, Patent Marketplace, and NPE Cost* 7 (2016), https://www.rpxcorp.com/wp-content/uploads/sites/2/2016/05/RPX-2015-Report-NPE-Litigation_Patent-Marketplace_Cost_High-level_ZFinal.pdf.

6. *Id.* at 30.

7. AIPLA, *Report of the Economic Survey 2013*, at I-145 (July 2013), http://library.constantcontact.com/download/get/file/1109295819134-177/AIPLA+2013+Survey_Press_Summary+pages.pdf.

Yet, the Federal Circuit's interpretation of Section 289 allows a design patent owner to capture all of the value of the functions of a smartphone in addition to any value attributable to the infringed design. Such patent owners include PAEs.

Patent assertion entities have already begun using the Federal Circuit's decision below as leverage. A PAE called Intellectual Capital Consulting, based in Colorado, recently threatened Samsung with damages for design patent infringement:

> Moreover, as you may be aware, *Apple Inc. v. Samsung Electronics, Ltd.* (Fed. Cir. 2015) further solidified damages for design patent infringement. 35 U.S.C. § 289 explicitly authorizes the award of *total profits* from the article of manufacture bearing the patented design. That is, unlicensed sales . . . will dramatically increase damages liability.

Letter from Samuel K. Giles, Managing Director, Intellectual Capital Consulting, LLC, to Gregory Lee, Samsung Telecommunications America, LLC (June 2, 2015), https://trollingeffects.org/demand/intellectual-capital-consulting-ltd-2015-06-02. This letter was sent less than one month after the Federal Circuit's decision, which issued on May 18, 2015.

If PAEs are allowed to threaten operating companies with the loss of the total profits made on an accused product, few companies will be willing to take the risk of fighting back. And they will settle for substantially more than they otherwise might have. PAEs do not need more

tools that help extract money from operating companies; the Federal Circuit's decision in this case, however, gives them such tools.

CONCLUSION

For the foregoing reasons, *amicus* CCIA requests that this Court vacate the opinion below and remand with further instructions.

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SAMSUNG ELECTRONICS AMERICA, INC., AND
SAMSUNG TELECOMMUNICATIONS AMERICA, LLC,
Petitioners,

v.

APPLE INC.,
Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF OF *AMICUS CURIAE* CROCS, INC. IN SUPPORT OF AFFIRMANCE

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TABLE OF CONTENTS

INTEREST OF *AMICUS CURIAE* 1

SUMMARY OF ARGUMENT 5

ARGUMENT 8

I. SECTION 289 UNAMBIGUOUSLY PROVIDES FOR RECOVERY OF A DESIGN PATENT INFRINGER'S PROFITS, WITHOUT APPORTIONMENT 8

A. By Its Plain Text, Section 289 Applies To Any Article Of Manufacture, And Does Not Require Apportionment 8

B. The Legislative History Of Section 289 Confirms That It Was Correctly Interpreted By The Court Below To Permit Recovery Of An Infringer's Total Profits 11

C. Section 289 Has Been Consistently Interpreted By Courts, Academics, And Other Authorities To Permit Recovery Of An Infringer's Total Profits 12

II. POLICY CONSIDERATIONS SUPPORT THE FEDERAL CIRCUIT'S INTERPRETATION OF SECTION 289, AS CONGRESS'S RATIONALE FOR THE TOTAL PROFITS REMEDY IS EVEN MORE APPLICABLE IN TODAY'S MODERN ECONOMY 14

A. Design Is Critically Important To Numerous Industries, The Economy, And The Public 14

B. Design Copying Is Rampant, Has Severe Repercussions For Numerous Industries And The Public, And Has Been Made Easier By Recent Technological Advancements 17

C. The Total-Profits Remedy Of Section 289 Is Necessary To Deter Copying, Remove The Intractable Burden Of Apportionment, And Encourage Investment In Design 21

1. Altering the Total-Profits Remedy Would Eliminate the Necessary Deterrent Against Copying that Congress Specifically Enacted 24

2. Altering the Total-Profits Remedy Would Reintroduce the Problems of Apportionment that Congress Deliberately Removed for Design Patent Infringement 26

3. Altering the Total-Profits Remedy Would Discourage Companies from Investing in Design, Ultimately Harming the Economy, Consumers, and the Public 27

III. PETITIONERS' HYPOTHETICALS REST ON FAULTY ASSUMPTIONS AND DETRACT FROM THE REAL-WORLD PROBLEMS AMELIORATED BY SECTION 289 28

CONCLUSION 33

TABLE OF AUTHORITIES

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No. 337-TA-567 (July 15, 2011) 21

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35 U.S.C. § 285 31

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INTEREST OF *AMICUS CURIAE*[1]

Amicus curiae Crocs, Inc. ("Crocs") is a publicly-traded company based in Niwot, Colorado. A world leader in innovative casual footwear, Crocs will celebrate its 15th anniversary next year. Crocs has sold more than 300 million pairs of shoes in more than 65 countries around the world, and its annual sales now exceed $1 billion. Crocs employs over 2,500 workers in this country alone, and is at the forefront of research and development of new technologies related to foam molded footwear and footwear in general.

Crocs respectfully submits this brief to explain why Petitioners' asserted interpretation of 35 U.S.C. § 289 is incorrect, and to describe the severe negative consequences Petitioners' position would have for numerous industries that rely on innovative designs and the corresponding protections afforded by the total-profits remedy of Section 289. In particular, Crocs wishes to bring to the Court's attention the importance of allowing recovery of a design patent infringer's total profit—without apportionment—to industries and companies outside of the smartphone context from which the present case arises.

From its very inception, Crocs has devoted substantial resources to researching, developing, and bringing to market innovative and iconic footwear designs. Indeed, Crocs' designs are almost one and the same with its brand: Consumers see a molded clog

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[1] This brief was not written in whole or in part by counsel for any party, and no person or entity other than *amicus* and its counsel has made a monetary contribution to the preparation or submission of this brief. All parties consent to its filing.

embodying the patented Crocs design and immediately recognize it as (a) having aesthetic value and (b) originating from Crocs. In order to consistently ensure that its products are attractive to the consumer, Crocs employs or contracts with dozens of industrial designers and other research and development personnel worldwide. These are trained artisans who specialize in the aesthetic—how to vary the shape, appearance, or surface treatment of an article of manufacture to make it more visually appealing. This is in addition to the people who specialize in molding or manufacturing the product, as well as the people who specialize in how to market or sell the product.

For example, one of Crocs' most well-known and celebrated designs is for the Crocs Classic Clog:

This Crocs Classic Clog has been recognized throughout the world as reflecting one of the most iconic and recognizable footwear designs in history. In 2008, Footwear News named this design as one of the top "Icons in the Making." Footwear News, vol. 64, no. 18 (May 12, 2008), at 15. In 2009, the design was described in *Fifty Shoes That Changed the World*, a book listing the fifty shoes that made the most substantial impact in the world of British design in the

preceding 150 years. Design Museum, *Fifty Shoes That Changed the World* 86-87 (2009). In 2014, the Classic Clog was ranked third among the "Bestselling and Most-Wished-For Shoes." Debora Borchardt, *The Bestselling and Most-Wished-For-Shoes*, TheStreet (June 21, 2014), https://www.thestreet.com/story/12751848/3/the-bestselling-and-most-wished-for-shoes.html. And still today, it is listed as the #1 Best Seller among all shoes on Amazon.com. *See Amazon Best Sellers*, Amazon.com, *https://www.amazon.com/best-sellers-shoes/zgbs/shoes/ ref=zg_bs_nav_0* (last visited July 27, 2016).

Crocs' substantial and continued investment in design has been instrumental to Crocs' success, its growth as a company and employer, and its ability to offer consumers with innovative and diverse styles, choices, and means of expression. As a result of its pioneering designs, in 2012, Crocs was named the National Retail Federation's Retail Innovator Brand of the Year, and in 2013, Crocs won the Consumer Goods Technology Most Innovative Company Award.

Crocs now releases several hundred new styles each season. The *primary* differentiator between these styles often is not the function of the article or the method of manufacture, but instead the ornamental or aesthetic design of the article. When an infringer chooses to copy a Crocs product, it is clear exactly which style or design (from among hundreds) the infringer intended to copy. For this reason, Crocs recognized early on that design patents would be essential to protecting its innovative designs and intellectual property. Crocs now owns over 100 active U.S. design patents and design patent applications, as

well as over 700 active international industrial design applications or registrations.

Integral to design patent protection—indeed, the mechanism by which design patents protect innovation, deter infringers, encourage investment in the ornamental arts, and benefit consumers and the public—is the total-profits remedy codified in 35 U.S.C. § 289. There are myriad substantial and traditional industries, like the multi-billion-dollar footwear industry in which Crocs operates, that depend on Section 289's strong remedy and deterrent effect—protections that were specifically put in place by Congress for policy reasons that remain at least as applicable, if not more so, today as they did over 125 years ago. Requiring a showing of apportionment would not only violate the text, Congressional intent, and precedent applying Section 289, but would undermine the very protections that Congress sought to implement and maintain through numerous revisions to the patent laws, protections that continue to encourage innovation in design and drive sales across industries. Such a sea change would severely harm Crocs' ability to create, protect, and share its innovative designs. Crocs thus respectfully submits this brief to urge affirmance of the decision below.

SUMMARY OF ARGUMENT

The text, legislative history, and judicial application of 35 U.S.C. § 289 are clear—an infringer of a design patent is liable to the patent owner for the infringer's total profit. The availability of this remedy is no accident. It was a deliberate decision by Congress over 125 years ago to address the intractable problems of apportionment in the design patent context, which Congress believed left design patentees without an effective remedy against infringement. And in enacting the statute, Congress did not exclude "multi-component" or other such products. Nor did Congress confine the remedy to carpets, oilcloths and wallpaper. Rather, Congress drafted the statute to apply to "*any* article of manufacture," and has left this basic framework undisturbed through multiple amendments. If Section 289 needs updating to account for technological advances, such a change must come from Congress, not this esteemed Court.

Such a change, however, is not needed and not warranted. Section 289 continues to further its original policy goals, which encourage investment in the decorative arts, protect designers' innovations, and deter copying, especially in multi-billion-dollar industries like footwear and apparel. Indeed, while Petitioners and their *amici* focus on smartphones, Crocs submits this brief to make clear that Section 289 plays a critical role in long-standing and traditional industries outside of this sector, and that any change to the total-profits remedy would have drastic consequences for these industries.

Simply put, for companies in industries such as footwear, apparel, accessories, and appliances (to name

a few), design can be paramount—a chief differentiator in the market, a driver of sales, and the lifeblood of the business. These companies thus invest substantially in design, and in doing so provide the public with new and unique innovations and choices, as exemplified by such products as the Crocs' Classic Clog. At the same time, these companies face omnipresent threats from copyists and knock-off artists, who seek to profit from these companies' labor and undercut them in the market. These threats have only gotten more severe in the modern age, with the advent of technology that enables near- instantaneous copying on an industrial scale. Accordingly, Crocs and other companies rely on the enforcement framework currently provided by the design patent system, including Section 289, to protect their innovations.

Eliminating the total-profits remedy of Section 289 as Petitioners urge would severely and negatively impact Crocs and numerous other companies within these industries. It would remove a necessary deterrent against copyists, impede designers from obtaining any meaningful remedy by ushering back in the insoluble burden of apportionment, and discourage companies from investing in design, all to the detriment of the economy, consumers, and the public. On the other side of the coin, infringers would be able to copy designs with near impunity, knowing that they would at worst only have to surrender a portion of their profits as a cost of doing business. In short, the policy rationale for the total-profits remedy is at least as applicable today as it was in 1887, and strongly counsels against any change, which in any event would need to come from the legislature.

Faced with losing textual and policy-based arguments, Petitioners and their *amici* resort to far-flung hypotheticals to argue against the remedy that Congress specifically and unambiguously adopted. These imagined scenarios have little to no basis in fact, and serve to delegitimize the real-world impacts of copying on industries that rely on design. Moreover, Petitioners' parade of horribles ignores the unique nature of design patents, which makes hypotheticals such as innocent infringement of multiple design patents and the explosion of a design patent troll industry highly unlikely.

In sum, adopting Petitioners' interpretation of Section 289 would undermine a system that Congress specifically enacted and maintained for over a century, would hinder design and innovation at companies like Crocs, and would have drastic, widespread consequences for numerous industries outside of the smartphone sector. Crocs thus respectfully submits this brief to illustrate this reality, and to urge affirmance of the decision below.

ARGUMENT

I. SECTION 289 UNAMBIGUOUSLY PROVIDES FOR RECOVERY OF A DESIGN PATENT INFRINGER'S PROFITS, WITHOUT APPORTIONMENT

The text, legislative history, judicial interpretation, and academic commentary on Section 289 all confirm the Federal Circuit's holding below. This has been ably explained by Respondent (Resp. Br. at 28-35) and the Government (Gov. Br. at 11-15), and Crocs will not repeat those arguments here. Crocs provides the following brief points to address specific arguments advanced by Petitioners and their *amici*, particularly Petitioners' false dichotomy between smartphones and carpets, which ignores the text and intent of Section 289, as well as the numerous industries that have come to rely on its protections.

A. By Its Plain Text, Section 289 Applies To Any Article Of Manufacture, And Does Not Require Apportionment

The text of Section 289 is clear. It provides, in relevant part, that whoever applies a patented design to "*any* article of manufacture for the purpose of sale" or sells "*any* article of manufacture to which such design . . . has been applied," shall be liable to the patent owner "to the extent of his total profit." 35 U.S.C. § 289 (emphasis added). It does not say, "whoever applies a patented design to a *non-multicomponent* article of manufacture," or "whoever applies a patented design to *a single-article product*." Yet these are the fabricated limitations that Petitioners try to inject into the statutory text. (Pet. Br. 38, 41-42.)

Petitioners argue that Congress intended the total profits remedy to apply "at most" to "a holder of a design patent for a single-article product" (Pet. Br. at 38), and in fact suggest that Congress intended the remedy only to apply to "carpets, wall-papers, and oil cloths" (Pet. Br. at 41).[2] There is at least one insurmountable problem with this argument—Congress did not include any such limitations into the statute. And this Court has "stated time and again that courts must presume that a legislature says in a statute what it means and means in a statute what it says there." *Connecticut Nat'l Bank v. Germain*, 503 U.S. 249, 253-54 (1992).

The statute also does not say that whoever applies a patented design to an article of manufacture for sale shall be liable for his total profit "attributable to infringement of the patented design" (Pet. Br. at 27-28) or "causally derived from the infringement" (Prof. Br. at 10). Congress instead stated that the liability would be "to the extent of [the infringer's] total profit," and that there would not be double recovery of the "profit made from the infringement." 35 U.S.C. § 289. As

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[2] The statements from the legislative history relied upon by Petitioners themselves reflect that legislators did not view the total-profits remedy to be so cabined. *See* 18 Cong. Rec. 834 (1887) (statement of Rep. Martin) (referring to "designs for carpets, oil-cloth, wallpaper, &c" (emphasis added); *id.* at 835 (referring to design patents for "carpet, or oil-cloth, or wall-paper, *or anything of that kind*" (emphasis added)). At the time, there were numerous design patents on multi-component products outside of carpeting, oil-cloths, and wallpaper, of which Congress is presumed to have been aware. (Resp. Br. at 14-16.) And in any event, these isolated statements do not override the plain text of the statue, which contains no such limitations.

explained below, it is beyond dispute that in enacting the total-profits remedy, Congress intended to do away with the inherent problems of apportioning profits between the design and other aspects of the article bearing the design. That Congress would then proceed to inject an apportionment component into the very statute intended to remedy these problems—and would do so by using backhanded phrases such as "to the extent of" and "made from" instead of simply saying that it wanted apportionment—cannot be credibly entertained.

Petitioners' arguments are not only contrary to well-accepted principles of statutory interpretation, but in effect attempt to do something that is only within the purview of Congress—carve out "multicomponent products" or "complex products like smartphones"[3] from the ambit of Section 289. And they ask this to be done by eviscerating the total-profits remedy altogether. Petitioners' emphasis on smartphones is understandable because this is the technology at issue in this case. But Petitioners' simplified picture of the purported distinctions between smartphones and carpets ignores huge, multi-billion-dollar industries, like the footwear industry in which Crocs and hundreds of other companies operate,[4] that rely on the protections and deterrent effects of Section 289.

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[3] Pet. Br. at 25, 38.

[4] The U.S. Census Bureau estimates that in 2012, sales by shoe stores alone totaled over $30.7 billion. *See Industry Snapshot*, U.S. Census Bureau, http://thedataweb.rm. census.gov/TheDataWeb_HotReport2/econsnapshot/2012/snapshot.hrml?NAICS=4482 (last visited July 31, 2016).

Stripping the total-profits remedy from the statute *in toto* would devastate these industries, inhibit innovation in design, and have additional adverse consequences as discussed below. If the statute needs updating to exclude certain technologies or industries, that is for Congress to do, with input from stakeholders such as designers, manufacturers, and the public. But it cannot be done by a strained interpretation of the plain text of Section 289.

B. The Legislative History Of Section 289 Confirms That It Was Correctly Interpreted By The Court Below To Permit Recovery Of An Infringer's Total Profits

The legislative history of Section 289 makes one thing clear—the total-profits remedy was no accident. Congress was concerned by the "emergency" presented by apportionment of design patent damages as imposed in the *Dobson* cases, deliberated the issue, and passed the Design Patent Act of 1887, the precursor to Section 289, specifically to do away with apportionment. 18 Cong. Rec. 834 ("The bill meets this emergency and provides a new rule of recovery for design patents. . . . [I]t is expedient that the infringer's entire profit on the article should be recoverable . . . for it is not apportionable."); *see also* S. Rep. No. 206, 49th Cong., 1st Sess. 1-2 (1886) (noting that it had "been abundantly shown" that maintaining an apportionment requirement would "virtually repeal the design patent laws" because such proof could "never be furnished"); *Nike Inc. v. Wal-Mart Stores, Inc.*, 138 F.3d 1437, 1441-42 (Fed. Cir. 1998) (explaining the legislative history of Section 289, including Congress's "removal of the need

to apportion the infringer's profits between the patented design and the article bearing the design" as a direct response to the *Dobson* cases).

And despite amending the patent laws several times with respect to remedies since the Act of 1887, Congress has not changed the availability of an infringer's total profits as a remedy for design patent infringement, indicating that it believes that the original rationales underlying this framework are still applicable. *See* Act of Feb. 18, 1922, 42 Stat. 392; Act of Aug. 1, 1946, 60 Stat. 778; Act of July 19, 1952, 66 Stat. 792.

Congress specifically chose the total-profits remedy, and it did so for good reason. The remedy has been in force for over 125 years without change or challenge, and many industries have come to rely on it. If this framework of design patent protection needs modification or updating, it is for Congress to do so.

C. Section 289 Has Been Consistently Interpreted By Courts, Academics, And Other Authorities To Permit Recovery Of An Infringer's Total Profits

Unsurprisingly given its plain text and legislative history, Section 289 has been consistently interpreted by lower courts as providing for an infringer's total profits—without apportionment—on the infringing article of manufacture. *See, e.g.*, *Schnadig Corp. v. Gaines Mfg. Co., Inc.*, 620 F.2d 1166, 1171 (6th Cir. 1980) (Section 289 "provides a single measure of relief applicable to all cases of design patent infringement," "assures that the profit to the wrongdoer is fully extracted," and "place[s] the patentee in the shoes of

the infringer"); *Untermeyer v. Freund*, 58 F. 205, 212 (2d Cir. 1893) ("The rule which congress declared for the computation of profits was the total profit from the manufacture or sale of the article to which the design was applied, as distinguished from the pre-existing rule of the profit which could be proved to be attributable to the design."); Resp. Br. at 39-41 (discussing cases cited by Petitioners).

So too have academics and other authorities construed the statute. *See, e.g.*, Mark A. Lemley, *A Rational System of Design Patent Remedies*, 17 Stan. Tech. L. Rev. 219, 223 (2013) ("By its terms, [Section 289] provides that design patent cases can no longer apportion damages. If you include the patented design, you must pay your entire profit to the plaintiff."); Michael Risch, *Functionality and Graphical User Interface Design Patents*, 17 Stan. Tech. L. Rev. 53, 60 (2013) ("[D]esign patents allow for much greater damages [than copyright]: all of the defendant's profits.")[5]

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[5] While certain *amici* for Petitioners now urge against this interpretation, their argument rests on purported "wise policy and the remainder of the patent statute." (Prof. Br. at 2.) But even if *amicis'* arguments regarding policy and the remainder of the statute were credited, these do not override the actual text of the statute, the plain meaning of which is confirmed by its legislative history, as explained above.

II. POLICY CONSIDERATIONS SUPPORT THE FEDERAL CIRCUIT'S INTERPRETATION OF SECTION 289, AS CONGRESS'S RATIONALE FOR THE TOTAL PROFITS REMEDY IS EVEN MORE APPLICABLE IN TODAY'S MODERN ECONOMY

Petitioners and their supporting *amici* make various policy-based arguments about why the law should be different. As Crocs explains below, policy considerations actually support the interpretation of Section 289 affirmed by the Federal Circuit below.

A. Design Is Critically Important To Numerous Industries, The Economy, And The Public

In advancing their policy arguments, Petitioners construct another false dichotomy—between ornamental innovations disclosed in design patents and technological inventions disclosed in utility patents. At the base of these arguments is the implicit assumption that the former is less worthy of protection. *See* Pet. Br. at 2, 47-48 (arguing that if the existing interpretation of Section 289 is upheld, companies and innovators would be encouraged to "divert research and development from useful technologies to ornamental designs," and "focus their energies on minor designs rather than groundbreaking technologies"). Putting aside the lack of support for these assertions, and that this value judgment is not for Petitioners to make, it also ignores the critical importance of design, not only to those industries that rely on design to drive sales and distinguish their products, but as a national and global economic engine and as an overall "meritorious service to the public." *Gorham Co. v. White*, 81 U.S. 511, 525 (1871).

Indeed, in many industries and for many products, it is *appearance and design* that matter, that drive sales, and that provide value to consumers and the public. As this Court stated almost a century and a half ago, "It is the appearance itself which attracts attention and calls out favor or dislike. It is the appearance itself, therefore, no matter by what agency caused, that constitutes mainly, if not entirely, the contribution to the public which the law deems worthy of recompense." *Id.* at 525; *see also* 18 Cong. Rec. 834 ("[I]t is just that the entire profit on the article should be recoverable and by the patentee, for it is the design that sells the article, and so that makes it possible to realize any profit at all . . . .").

The critical importance of design has not changed. "Today's consumers . . .value a product's aesthetics and user experience as much as the technology and craftsmanship underlying the product's functionality." Janice M. Mueller & Daniel Harris Brean, *Overcoming the "Impossible Issue" of Nonobviousness in Design Patents*, 99 Ky. L.J. 419, 422 (2010-11). Accordingly, "[d]esign is becoming increasingly important in modern life.... In the crowded modern consumer culture, design is the only thing that differentiates one product from another in the marketplace." Susanna Monseau, *The Challenge of Protecting Industrial Design in a Global Economy*, 20 Tex. Intell. Prop. L.J. 495, 501 (2012) (internal quotation marks omitted).

Thus, "[i]t is no accident that the top global companies are also design leaders in their respective fields." *Id.* To be sure, there is a strong correlation between design and a company's economic performance. *See, e.g.*, Julie H. Hertenstein, Majorie B.

Platt & Robert W. Veryzer, *The Impact of Industrial Design Effectiveness on Corporate Financial Performance*, 22 J. Prod. Innov. Mgmt. 13 (2005) (describing "strong evidence that effective industrial design is associated with better financial performance"); Mueller & Brean, *supra*, at 422 ("[F]irms in the global marketplace are increasingly competing on the basis of innovative product design. Such firms are quantifiably outperforming their competitors who fail to grasp the value-added of design."); Peter H. Bloch, *Seeking the Ideal Form: Product Design and Consumer Response*, 59 J. Mktg. 16, 16 (1995) ("The physical form or design of a product is an unquestioned determinant of its marketplace success.").

In addition, strong design improves market efficiencies, provides benefits to consumers, and serves the public interest:

> Investment in product design furthers efficiency by serving customers' benefit in terms of both quality and the aesthetic appearance of the product. By furthering a product's aesthetic appearance, design makes a positive contribution to market efficiency because the product increases the consumer's aesthetic pleasure, aside from its utility. Furthering enjoyment by aesthetic products has a positive value, per se, which enhances public welfare, even if such investment might make the product more expensive.

Orit Fischman Afori, *Reconceptualizing Property in Designs*, 25 Cardozo Arts & Ent. L.J. 1105, 1111-12 (2008); *see also* Bloch, *supra*, at 16 ("A good design

attracts consumers to a product, communicates to them, and adds value to the product by increasing the quality of the usage experiences associated with it."). Indeed, as described above, Crocs' substantial and continued investment in design have not only garnered widespread acclaim, but have been instrumental to Crocs' success, its growth as a company and employer, and its ability to offer consumers with innovative and diverse styles, choices, and means of expression.

In short, it is hard to overstate the importance of encouraging and protecting design, especially in numerous bedrock industries outside of the smartphone sector, such as the footwear industry in which Crocs and hundreds of other companies big and small operate. *See, e.g.*, Nike Br. at 15-28.

B. Design Copying Is Rampant, Has Severe Repercussions For Numerous Industries And The Public, And Has Been Made Easier By Recent Technological Advancements

Unfortunately, a hallmark of design is the omnipresence of infringers—companies whose business model is to copy or "knock off" designs that innovators spend months or years developing. *See Peter Pan Fabrics, Inc. v. Acadia Co.*, 173 F. Supp. 292, 296 (S.D.N.Y. 1959) ("The well-known history of the struggle between 'copyists,' 'pirates,' 'freebooters,' and the design 'originators' in the textile and allied industries has been described extensively."). "[P]iracy forces a designer to compete with cheaper, more widely accessible versions of the designer's own creation. Further, a flood of poor quality knockoffs in the marketplace damages the designer's reputation and

diminishes the value of the original design." Katherine Felice, *Fashioning A Solution for Design Piracy: Considering Intellectual Property Law in the Global Context of Fast Fashion*, 39 Syracuse J. Int'l L. & Com. 219, 229 (2011).

To be sure, the ramifications of "knockoffs" to industry and the public are enormous, resulting in billions in lost sales, as well as erosion of secondary public benefits such as tax revenues and wages. *See, e.g.*, Elizabeth Ferrill & Tina Tanhehco, *Protecting the Material World: The Role of Design Patents in the Fashion Industry*, 12 N.C. J.L. & Tech. 251, 258-61 (2011). Some experts argue that knockoffs represent an even greater threat to the fashion world than counterfeit goods, "partly because knockoffs have become so widespread, and partly because they have the ability to harm designers in a real way – economically and creatively, by taking away the incentive to create original design." *Id.* at 256.

While Petitioners and their supporting *amici* argue that recent technological advances undermine the original rationale for awarding infringer's profits without apportionment, such advances actually further support the policy considerations for doing so. "Technology has only accelerated the ability of knockoff designers to view designs and reproduce them. Today, high-end designs from runway shows become available on the Internet as a matter of practice within twenty-four hours . . . . In the digital age, designers not only face the threat of knockoffs, but need to confront the possibility that the knockoffs are likely to hit the market well before their original work." *Id.* at 265-268; *see also* Felice, *supra*, at 226 (describing "the rapid

turnaround of modern copying," and how copyists can "deliver stores a knockoff months before the designer version" based on "a highly competitive network of factories using the latest technology to copy designer styles"). As a representative from Council of Fashion Designers of America testified before a House subcommittee in 2006, "Copying, years ago, would take anywhere from three to four months to a year or more. But as I said, all that changed with new technology.... Today, there are even software programs that develop patterns from 360 degree photographs taken at the runway shows. From those patterns, automated machines cut and then stitch perfect copies of a designer's work." *A Bill To Provide Protection for Fashion Design: Hearing on H.R. 5055 Before the Subcomm. on Courts, the Internet, and Intell. Prop.*, 109th Cong. 9, 11-12 (2006).[6]

As Crocs can attest, these omnipresent, crippling risks of copying are not theoretical—they are very real and present a continuous threat to designers. For example, as discussed above, one of Crocs' most iconic and popular footwear designs is for the Crocs Classic Clog. This design was the culmination of substantial investments of time and resources, and ultimately

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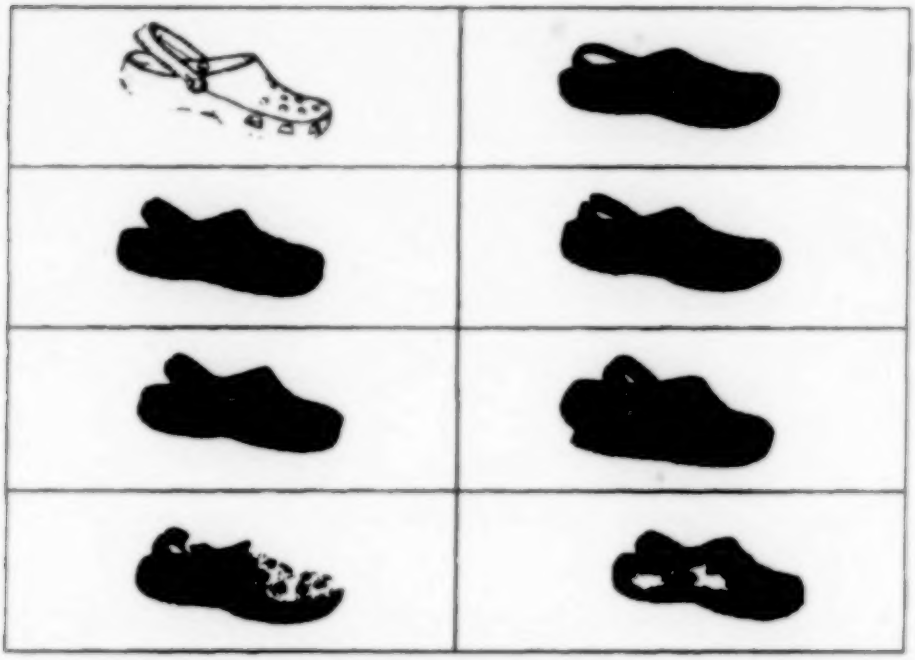
[6] Even Petitioners concede that Section 289 sprung from a concern "that designs for decorative items like carpets and wallpaper were uniquely susceptible to counterfeiting." (Pet. Br. at 41.) Unstated by Petitioners, however, is that this risk of counterfeiting is not limited to these items, but applies to designs across industries—from footwear to apparel to manufacturing—and has only been exacerbated by recent technological advancements. In any event, as discussed above in Part I, if other industries like smartphones are somehow distinct in this regard, that is for Congress to decide.

changed the landscape of casual footwear. However, with Crocs' success came an almost instantaneous flood of knockoffs. The chart below—with Crocs' design in the upper left—reflects just seven different infringing products:[7]



These knockoffs diluted Crocs' innovation, undercut its sales, and threatened its entire product line. Fortunately, Crocs had the protection of a design patent along with a utility patent to counter the tide of copyists. In 2006, Crocs filed infringement actions before the U.S. International Trade Commission ("ITC") and United States District Court for the District of Colorado against eleven of the most prolific U.S. infringers. Facing potential liability, several

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[7] *See Crocs, Inc. v. Int'l Trade Comm'n*, 598 F.3d 1294, 1299, 1304-06 (Fed. Cir. 2010)

defendants settled early and ceased their infringement, and the district court action was stayed pending the outcome of the ITC investigation. Ultimately, the Federal Circuit concluded that the ITC defendants infringed Crocs' patented design, and the ITC on remand issued a Final Commission Determination of Violation and General Exclusion Order in favor of Crocs. *See In re Certain Foam Footwear, U.S. Int'l Trade Comm'n*, No. 337-TA-567 (July 15, 2011). Without strong patent protection, it is likely that infringers would be openly selling direct Crocs knockoff products today, at a substantial loss to Crocs.

C. The Total-Profits Remedy Of Section 289 Is Necessary To Deter Copying, Remove The Intractable Burden Of Apportionment, And Encourage Investment In Design

Crocs' reliance on design patents is no accident. For over 170 years, Congress has sought to protect investments in design by establishing and maintaining a strong design patent system. As the Supreme Court stated over 140 years ago,

> The acts of Congress which authorize the grant of patents for designs were plainly intended to give encouragement to the decorative arts . . . The law manifestly contemplates that giving certain new and original appearances to a manufactured article may enhance its salable value, may enlarge the demand for it, and may be a meritorious service to the public. It therefore proposes to secure for a limited time to the ingenious producer of these appearances the advantages flowing from them.

Gorham, 81 U.S. at 524-25. This legislative mandate has been faithfully recognized and carried out ever since. From eating utensil handle designs, to microwave oven designs, to athletic shoe designs, to nail buffer designs, Congress and the courts have refined design patent law to promote innovation in light of continued technological advancement. *See id.*; *Litton Sys., Inc. v. Whirlpool Corp.*, 728 F.2d 1423 (Fed. Cir. 1984); *L.A. Gear, Inc. v. Thom McAn Shoe Co.*, 988 F.2d 1117 (Fed. Cir. 1993); *Egyptian Goddess, Inc. v. Swisa, Inc.*, 543 F.3d 665 (Fed. Cir. 2008).

Accordingly, "[a]lthough there is temptation to treat design patents as soft or minor patents, in many industries design patents can be used to protect a client's most valuable intellectual property." Scott D. Locke, *Fifth Avenue and the Patent Lawyer: Strategies for Using Design Patents to Increase the Value of Fashion and Luxury Goods Companies*, 5 J. Marshall Rev. Intell. Prop. L. 40, 53 (2005). "Design patents protect fundamentally different subject matter than that which is encompassed by a utility patent, and can be used to effectively and efficiently combat knock-off products that can be easily identified by visual inspection alone." *John Mezzalingua Assoc's, Inc. v. ITC*, 660 F.3d 1322, 1335 (Fed. Cir. 2011) (Reyna, J., dissenting); *see also* 18 Cong. Rec. 834 ("[Design patent laws create] a tendency to encourage the purchase of articles of standard qualities as opposed to shoddy imitations, which is a true economy in individuals and so in masses.").

This is especially true for the many industries that rely on appearance and design, such as footwear and apparel. *See* Ferrill & Tanhehco, *supra*, at 277-78

("While some academics may discount their value, design patents have been used to provide protection for products of the fashion industry, including shoes, handbags, belts, elements of outerwear, headgear, and eyeglass frames."); David R. Gerk, *Five Reasons Why 2008 Will Be A Year To Remember for Design Patents*, Intell. Prop. Today at 39 (April 2008) (noting the interest in design patent law by "an array of corporations known to be leaders in the electronics, footwear, apparel, appliance and various other industries that rely on design patents to protect their innovations from 'copycats' and 'knock-off artists'"). And it is certainly true for Crocs, whose iconic shoe designs have differentiated it from competitors, driven sales, and given Crocs a unique and important place in footwear design history. In short, for Crocs and many other companies, design patent protection is a core asset.

A fundamental and necessary component of design patent protection is the total-profits remedy provided by Section 289. As the former Director of the United States Patent and Trademark Office recently explained:

> Our laws and policies covering design patents play an important role in promoting and protecting that investment. Critically, *this includes requiring infringers to pay design patent holders for all damage caused, which discourages infringement and encourages the development of new and innovative designs* by providing innovators the opportunity to recover their costs without being undermined by free riders who have not made the same investment.

> Competitors must instead rely on differentiation and innovation to set themselves apart, further benefitting consumers.

David. J. Kappos, *America Doesn't Do Enough to Protect Its Innovative Designs*, Wired Magazine (Nov. 9, 2015), http://www.wired.com/2015/11/america-doesnt-do-enough-toprotect-its-innovative-designs/ (emphasis added).

Eliminating the total-profits remedy of Section 289, as Petitioners urge, would have drastic, widespread consequences. First, it would remove a critical deterrent against copyists and knockoff artists, ultimately crippling the numerous companies and industries that rely on design to differentiate their products. Second, it would impede designers from obtaining any meaningful remedy against copyists by ushering back in all the problems of apportionment that Congress deliberately did away with in 1887. Third, it would discourage companies from investing in design, to the detriment of the economy, consumers, and the public.

1. Altering the Total-Profits Remedy Would Eliminate the Necessary Deterrent Against Copying that Congress Specifically Enacted

The knockoff industry is extremely lucrative. For example, a 2011 study estimated the projected value of global trade in counterfeit and pirated goods in 2015 to rise to $1.77 trillion. *Counterfeiting Statistics*, International AntiCounterfeiting Coalition, http://www.iacc.org/resources/about/statistics (last visited July 31, 2016). And last year, the U.S.

Department of Homeland Security identified the total value of intellectual property related seizures in 2014 alone to be $250 billion. *Id.* Counting just knockoffs, the industry "is estimated to be $ 30 billion, with various hands wanting a piece of the pie." Ferrill & Tanhehco, *supra*, at 258-59. By definition, such profits can be had with little cost, as copyists do not have to invest in the research and development required to create innovative designs. *See* Felice, *supra*, at 229 ("An original designer invests considerable time and money into research, pattern making and fashion shows. A copyist simply steals the end product of the designer's investment and, by having a cost-free design, can sell the item at a lower price.").

Given the amount of profit to be had from copying, an extremely strong deterrent is required. As Congress recognized, the total-profits remedy of Section 289 is just such a deterrent. Faced with the prospect of losing *all* of its profits from the sale of an infringing product, a would-be infringer must think twice before copying. *See, e.g.*, Ferrill & Tanhehco, *supra*, at 293 ("[A] consistent policy of design patenting may be a valuable deterrent against knockoff designers, even without having to actually file a lawsuit."); *Nama-Stay: Lululemon Is Defending its Turf Through Design Patents*, 99 A.B.A.J. 9, at 10 (January 2013) (noting practitioner's opinion that design patents are "mostly used as a deterrent"). Once sued, this potential liability further incentivizes infringers to immediately cease and desist their infringing activities, which spares the design patentee from protracted and costly litigation.

Conversely, Petitioners' interpretation of Section 289 would eviscerate this critical deterrent. A system in which an infringer only faces a reasonable royalty, a portion of the patent owner's lost profits, or a portion of the infringer's total profits would not provide much of a deterrent, because an infringer could still profit from the infringement and chalk up any partial damages award as a cost of doing business.[8] There would simply be no incentive *not* to copy and try to profit from the designer's labor. Designers, in turn, would be forced to compete against their own designs and would be undercut in the market. As Congress recognized over a century ago, the more robust mechanism of Section 289 is needed, especially in numerous industries in which patented designs can be the lifeblood of a company.

2. Altering the Total-Profits Remedy Would Reintroduce the Problems of Apportionment that Congress Deliberately Removed for Design Patent Infringement

Removing the total-profits remedy of Section 289 would usher back in the same problems of apportionment that Congress sought to remedy with the Design Patent Act of 1887. "Apportionment presented particularly difficult problems of proof for design patentees, for the patentee was required to show what portion of the infringer's profit, or of his own lost profit, was due to the design and what portion was due to the article itself." *Nike*, 138 F.3d at 1441. As

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[8] *See* Pet. Br. at 53 ("[A] a reasonable royalty is rarely so large as to eliminate the infringer's entire profit.")

Congress recognized, requiring a design patentee to prove "what part of defendant's whole profit on the article made and sold was directly due to the *appearance* of those articles as distinguished from their material, their fabric, their utility, &c.," would "virtually repeal the design patent laws" because "the proof thus called for can never be furnished." S. Rep. No. 49-206, at 1-2.

The same holds true today. Requiring design patentees to apportion an infringer's profits on an infringing article based on appearance as opposed to other features would subject them to an impractical undertaking, effectively nullifying the benefits of design patent protection. At the very least, such a burden would impose patentees with substantial additional costs and delay, including the engagement of experts and other resources to determine causation and calculate damages. As a practical matter, and as Congress recognized, this would "virtually repeal the design patent laws."

3. Altering the Total-Profits Remedy Would Discourage Companies from Investing in Design, Ultimately Harming the Economy, Consumers, and the Public

For many companies, the decision to seek design patent protection is not taken lightly. The process can be expensive, long, and burdensome. Indeed, the requirements for obtaining design patents can present "insurmountable obstacles" for designers, and the "lengthy waiting period, coupled with the expense of preparing an application, discourages many designers from seeking patent protection." Katelyn Brandes,

Design Protection in the United States and European Union: Piracy's Detrimental Effects in the Digital World, 37 Brooklyn J. Int'l L. 1115, 1128 (2012); *see also* Susanna Monseau, *European Design Rights: A Model for the Protection of All Designers from Piracy*, 48 Am. Bus. L.J. 27, 42-44 (2011) (noting shortcomings of the design patent system, including that "as a practical matter, the design patent process is both lengthy and costly").

If companies must also face uncertainty as to whether they can receive adequate damages from enforcing their design patents, it likely will discourage companies from seeking such protection in the first place, and in turn discourage investment in design overall. Consumers would have less access to innovative designs and choices, and the economic benefits of a strong design industry would be lost. *See supra*, Part II.A. For companies such as Crocs for whom innovative designs are critical, such uncertainty would severely hamper innovation, investment, and profitability.

III. PETITIONERS' HYPOTHETICALS REST ON FAULTY ASSUMPTIONS AND DETRACT FROM THE REAL-WORLD PROBLEMS AMELIORATED BY SECTION 289

Petitioners offer a host of extreme hypotheticals that they argue "counsel interpreting Section 289" to require apportionment. (Pet. Br. at 44-53.) Petitioners paint a world in which innocent companies unknowingly incorporate multiple patented designs within the same product, while design patent trolls run amok. Even if these far-fetched, imagined scenarios could override the plain text and intent of Section 289

(and they cannot), there is a fundamental problem with Petitioners' speculations—they are not grounded in fact. As Respondent points out, Petitioners offer nothing but conjecture and questionable sources to support its unlikely parade of horribles. (Resp. Br. at 53-60.) The total profits remedy has been in place for over 125 years, with none of the adverse "practical consequences" advanced by Petitioners. Congress's decision to protect design through the total-profits remedy is working as intended, and there is no sound basis to change it.

Crocs raises this point because as creative as Petitioners' hypotheticals are, they present a serious risk of de-legitimizing the real-world ramifications of design patent infringement and the drastic consequences that would follow from eliminating the total-profits remedy of Section 289. Rather than conjecture, Crocs' firsthand experience underscores the omnipresent risks of design copying and the necessity of the strong deterrent of Section 289. And as discussed above, these issues are not limited to Crocs, but affect entire multi-billion-dollar industries, consumers, and the public. *See supra*, Part II.B. In the real world, there is far greater risk that an innovator's design will be copied, released into the market, and diluted, with all the attendant negative consequences, than there is that a company will accidentally infringe multiple design patents or that design patent trolls will hold companies hostage based on innocent use of patented designs.

This reality follows from the nature of design patents and the standard for design patent infringement. Unlike utility patents—which can

contain dozens or hundreds of broad and vague claims—a design patent may only contain a single claim, which must "be in formal terms to the ornamental design for the article (specifying name) as shown, or as shown and described." 37 CFR § 1.153. "No description, other than a reference to the drawing, is ordinarily required." *Id.*; *see also Crocs*, 598 F.3d at 1302-03 ("Design patents are typically claimed as shown in drawings. . . . [A]n illustration depicts a design better than it could be by any description and a description would probably not be intelligible without the illustration."). In addition, in order for a design to infringe, it must be found to be "substantially the same" as the patented design under the "ordinary observer" test. *Egyptian Goddess*, 543 F.3d at 670, 678.

Given these standards, it appears highly unlikely that an innocent company will accidentally incorporate multiple specific designs into a complex product such that each design may be deemed "substantially the same" as a patented design. If a policy choice is to be made, it should be to protect design innovators and the related affected stakeholders of a strong design patent system, rather than hypothetical actors whose multiple acts of infringement, if they were occur, would almost certainly be intentional. In fact, Congress made such a policy choice 129 years ago, and it is up to Congress to make any changes to it.[9]

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[9] As Respondent points out, any practical issues with allocating the total-profits remedy in such cases can be dealt with through a variety of established mechanisms, including interpleader and impleader. (Resp. Br. at 56.)

Similarly, the nature of design patents calls into question Petitioners' hypotheticals regarding patent trolling. A critical aspect of the patent troll business model is the broad claim language often found in issued utility patents, including claim language recited in functional terms. *See, e.g.*, Executive Office of the President, *Patent Assertion and U.S. Innovation* (June 2013) ("White House Report"), at 8 ("These broad, functionally-defined, and intertwined patents are therefore a key part of the PAE business model.").[10] Such overbroad claims allow patent trolls to assert patents against scores of diverse companies in the hopes of amassing quick and efficient settlements. *See id.* at 6 ("PAEs assert broad patent claims against an unusually large set of potential defendants; these assertions are often not based on any evidence of infringement by an individual defendant, but are instead an attempt to find companies that will seek to settle the PAE's claims rather than risk a trial."); Jeremiah Chan & Matthew Fawcett, *Footsteps of the Patent Troll*, 10 Intell. Prop. L. Bull. 1, 4 (2005) ("[O]verbroad claims allow patent trolls to cast a relatively wider net over a technology base and more easily assert infringement against a larger group of target companies."). The accused infringers, in turn, cannot easily design around the asserted claims given their breadth and vagueness. While the asserted infringement allegations are often baseless, the broad claim language allows patent trolls to minimize the risks of an adverse Rule 11 or exceptional case finding under 35 U.S.C. § 285, such that innocent defendants

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[10] The White House Report uses the term "PAE" or "Patent Assertion Entity" as synonymous with "patent troll." *See id.* at 3.

have few options other than pay a settlement or commit to costly and protracted litigation.

Conversely, the requirement that a design patentee show that an accused design is substantially the same as the design illustrated in the asserted patent makes the prospect of design patent trolling far less likely. It is much harder for a putative patent troll to use design patent claims as a lever against unwitting companies. Indeed, companies can always use substantially different designs on their products to "design around" a patented design, and the risk of ensnaring innocent infringers in the design patent context is low. (Resp. Br. at 58.) As Crocs well knows, design copying is generally intentional, and reflects a deliberate effort to appropriate the designs of innovators and undercut them in the market. In addition, design innovators such as Crocs—whose designs are often highly associated with their brand, serve as key differentiators in the market, and in many instances constitute the lifeblood of the company—are unlikely to sell or license their design patents to a patent assertion entity in exchange for a quick payout or royalty.

In short, Petitioners' hypotheticals are either unsupported or rest on flawed assumptions. They should not detract from the very real problems of copying, the necessity of the total-profits remedy to address these problems, and the ways in which Section 289 continues to encourage investment in design, protect designers, and ensure a fair market.

CONCLUSION

For the foregoing reasons, *amicus curiae* Crocs, Inc. respectfully urges that the Court affirm the decision below.

Respectfully submitted,

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IN THE

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SAMSUNG ELECTRONICS CO., LTD., et al.,
Petitioners,

v.

APPLE INC.,
Respondent.

On Writ of Certiorari
to the United States Court of Appeals
for the Federal Circuit

BRIEF OF *AMICI CURIAE* ENGINE ADVOCACY AND SHAPEWAYS, INC. IN SUPPORT OF PETITIONERS

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TABLE OF CONTENTS

INTEREST OF *AMICI CURIAE* 1

SUMMARY OF THE ARGUMENT 2

ARGUMENT 3

I. Awarding a Patentee the Defendant's Total Profits Ignores the Limitations Set out by § 289 and Mistakes the Role of Design Patents in the Modern World 3

II. The Federal Circuit's Misguided Interpretation of § 289, Awarding A Patentee All Profits from an Infringing Product, Will Harm Innovation and Disrupt the Balance of the Patent System 8

A. An All-Profits Rule Will Impose Barriers to Entry on Startups, Stifling New Innovation 10

B. An All-Profits Rule Will Stifle Innovation in User-Generated Products 15

C. An All-Profits Rule Will Thwart Valuable Competition and Further Hamper Innovation 20

D. An All-Profits Rule Will Exacerbate Already Prevalent Patent Trolling Problems 22

CONCLUSION 26

TABLE OF AUTHORITIES

Page(s)

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INTEREST OF *AMICI CURIAE*

Amicus curiae Engine Advocacy ("Engine") supports the growth of technology entrepreneurship through economic research, policy analysis, and advocacy on local and national issues.[1] Engine works with the White House, Congress, federal agencies, state and local governments, and international advocacy organizations to educate and inform them of issues vital to fostering technological innovation.

Amicus curiae Shapeways, Inc. ("Shapeways") is a 3D printing marketplace and service company. It has printed and sold millions of 3D-printed objects through its platform.

Engine and Shapeways submit this brief to highlight the importance of a proper interpretation of the design patent damages statute to the vigorous innovation, by startups and established firms alike, that is crucial to the American economy, and to the continued vitality of the dynamic and highly innovative 3D printing industry. *Amici* seek to bring to the Court's attention relevant perspectives on the impact of this case that will not be fully presented by the parties.

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[1] The parties have consented to the filing of this brief; their written consents are on file with the Clerk. No counsel for a party authored this brief in whole or in part, and no party or counsel for a party made a monetary contribution intended to fund its preparation or submission. No person other than the *amici* or their counsel made a monetary contribution to the preparation or submission of this brief.

SUMMARY OF THE ARGUMENT

The "total profits" design patent damages rule adopted by the Federal Circuit is inconsistent with the law of patent damages and wholly out of touch with the reality of modern product design. It will lead to dire consequences for innovators, startups, and investors. The rule would award a patentee all profits from any product that infringes a design patent, regardless of how small and unimportant the patented feature was to the value of the overall product. But the Constitution, long-standing legal principles, and common sense dictate that patent damages—whether they are design or utility patents—be apportioned based on the value actually contributed by the patented feature.

Allowing this "all-profits" rule to prevail would disrupt the balance of the patent system, stifling innovation and diminishing investment in the startups that drive much of the U.S.'s economic growth. Innovators, entrepreneurs and venture capitalists will avoid the complex, multi-component products that exemplify so much of innovation today, fearing that a single, inadvertently infringed design patent will erase all of the value created by a product comprised of many design and technology elements. Large and small innovators alike will face an increasing number of threats or lawsuits based on design patents. The risk of an all-profits award will force many to settle those suits for amounts far in excess of the actual value of the patented design at issue. If the history of utility patents is any guide, a new class of "design patent trolls" will arise to take advantage of the windfalls offered by this rule, adding an additional chill to the valuable innovation

of startups and established companies alike and a loss of the consumer and economic benefits they otherwise would bring.

The Federal Circuit's all-profits rule is legally untenable and economically dangerous; the Court should reverse the decision below and interpret 35 U.S.C. § 289 to limit the award of profits to those attributable to the patented design.

ARGUMENT

I. Awarding a Patentee the Defendant's Total Profits Ignores the Limitations Set out by § 289 and Mistakes the Role of Design Patents in the Modern World

Using apportionment principles to limit damages awards is necessary to advance the goal of the patent system to "promote the Progress of Science and the useful Arts." U.S. Const. art. I, § 8, cl. 8. The Federal Circuit's interpretation below undermines this goal and reads 35 U.S.C. § 289 to provide for awards so far in excess of the value contributed by the patent that progress and innovation will be chilled instead of promoted.

Contrary to the goals of the patent system, the Federal Circuit's interpretation will significantly undermine innovation, particularly in the multi-component products that modern society takes for granted as a part of everyday life. If left unchecked, it will encourage design "patent trolling" activities similar to the utility patent trolling that result in a wasteful tax on innovation. Investors will be more reluctant to invest in complex, multicomponent products and innovation in those areas will be reduced. Even those innovators who are still willing

to pursue complex products and able to secure funding will constantly be at risk of losing their entire profits in design patent litigation initiated either by a patent troll or a competitor for infringement of a single, nonfunctional feature of a complex product.

Instead, § 289 should be interpreted in a manner consistent with its legislative history and with the overarching goals of the patent system such that it incentivizes innovation and creativity. As other *amici* likely will explain in detail, the language of § 289 can and should be construed to incorporate an apportionment principle, which would advance, rather than undermine, those goals.

As Petitioner explains, apportionment is a longstanding cornerstone of intellectual property law. *See* Pet. Br. 38. This Court noted in 1853 in *Seymour v. McCormick* that "it is a very grave error to instruct a jury that as to the measure of damages the same rule is to govern, whether the patent covers an entire machine or an improvement on a machine." 57 U.S. 480, 491 (1853). *See also Young v. Grand Rapids Refrigerator Co.*, 268 F 966, 973 (6th Cir. 1920) (awarding plaintiff the statutory minimum $250 for defendant's infringement of a design patent for refrigerator door latch when "any segregation of the profits due to the use of this particular design of latch casing [wa]s obviously impossible"). The same grave error has surfaced again in the Federal Circuit's interpretation of § 289, which compels even an innocent infringer to relinquish, to each patentee who comes knocking with a patent on a single, nonfunctional design feature, his total profits from his *entire* product.

Moreover, the legislative history of § 289 supports interpreting the statute to incorporate an apportionment limitation. Although § 289's predecessor, the Act of 1887, 24 Stat. 387, made an infringer's entire profits available for design patent infringement, this reward was conditional on the infringer's "knowing that the [patented design] had been so applied" to the infringer's product. *Id.* Legislative history and the longstanding apportionment principles discussed above suggest that Congress was comfortable imposing harsh damages awards because the knowledge requirement restricted the remedy's imposition to willful infringers. 18 Cong. Rec. 836 (1887) ("no man will suffer either penalty or damage unless he willfully appropriates the property of another."). When passing the 1887 Act, Congress thus recognized that the Act would impose a punitive remedy unless it included a knowledge requirement. The Federal Circuit's current interpretation of § 289 now imposes such a punitive remedy, however, unduly burdening innovation and reducing public access to advanced technology.

When Congress removed the knowledge requirement from § 289 in 1952 and made design patent infringement a strict liability offense, it also added language providing that a patentee "shall not twice recover the profit made from the infringement." 35 U.S.C. § 289, 66 Stat. 813 (1952). If this language did not function to limit damages through an apportionment principle, it would endorse nearly limitless damages awards and create double liability problems.

The wording of § 289 is thus better read to support an interpretation incorporating an apportionment requirement that will adhere to the goals of the patent system and promote innovation and progress. For example, "from the infringement" should be read to limit damages to that portion of the profits actually attributable to the infringing feature. Moreover, as other *amici* have noted, this Court could interpret "article of manufacture" to limit damages to the smallest saleable unit of the infringing product in order to promote the goals of the patent system. Both of these interpretations are consistent with the limitation that the patentee "shall not twice recover the profit made from the infringement," and both would avoid the nonsensical results that flow from awarding *all* profits.

Additionally, the Federal Circuit's interpretation fails to comport with principles of statutory construction that caution against construing statutes in a way that renders language superfluous. An infringer's liability for its "total profit" as provided by § 289 logically must refer to the profit specifically gained from the infringing product, not simply to an equivalent amount of money. Thus, an infringer can only receive and possess a single profit for each product, and cannot part with that profit more than once. Assume a firm sells a widget at a total profit of $1 million. If a patentee successfully sues the firm for infringing five of its design patents in that widget, there still would be only the single, $1 million "total profit" for the patentee to recover for all five infringements, even though that amount of "total profit" could have been recovered for any one of those infringements.

Thus, by reading § 289 to award total profits for infringement of any design patent and failing to read "profit made from the infringement" to limit the award of profits to profits attributable to the specific patented design, the Federal Circuit has rendered "shall not twice recover" superfluous. There would be no need for this limiting language because there would be only one total profit for the patentee to recover in the first place and no opportunity for double recovery.

Furthermore, it is only by ignoring that most modern products are complex, multicomponent creations covered by multiple patents that the Federal Circuit is able to avoid entangling itself in the double liability implications of its interpretation of § 289. Under the Federal Circuit's construction, a defendant whose product infringes design patents held by two or more patentees would face a dilemma if ordered to pay his entire profit to each one. As noted above, once the defendant has paid the first patentee its total profits, any sum paid to the second patentee is no longer the infringer's profit, but rather an additional but equal expense that must be paid with some other source of money.

As a result, a court assessing design patent damage awards to multiple patentees on the same product would have to choose among several illogical options: 1) order the infringer to pay each of the subsequent patentees the same "total profits" sum it paid the first patentee, 2) award the second patentee nothing since the "total profits" had already been paid, or 3) direct the subsequent patentees to seek their recovery from the first patentee who has already been awarded the infringer's entire profit.

These nonsensical options would be the direct result of the Federal Circuit's isolated reading of one phrase in the first paragraph of § 289 and its disregard of the statute's goals and context and the textual arguments for apportionment. *See* Pet. App. 28a.

As described below, the Federal Circuit's interpretation produces not only absurd results, but damaging ones that will chill innovation and investment. To avoid this outcome, this Court should interpret § 289 to limit a patentee's recovery to profits attributable to the infringed design itself.

II. The Federal Circuit's Misguided Interpretation of § 289, Awarding A Patentee All Profits from an Infringing Product, Will Harm Innovation and Disrupt the Balance of the Patent System

In recent years, seeking appropriate balance in the patent system to ensure it serves its purpose of promoting the progress of science and the useful arts has become a national priority because of the profound effects the system has on innovation and, in turn, on the economy as a whole. *See, e.g.*, Executive Office of the President, *Patent Assertion and U.S. Innovation* 12 (June 2013) (quoting President Barack Obama), https://www.whitehouse.gov/sites/default/files/docs/patent_report.pdf. The Federal Circuit's misguided interpretation of § 289 will upset these careful attempts at balance and chill innovation, resulting in adverse effects on innovators large and small.

The Federal Circuit's rule awards all profits from an infringing product to the holder of a design patent, regardless of how significant or insignificant the patented feature is or how much or little it

contributes to the overall value of that product. But in the modern world, where most products are complex enough to embrace multiple technological and design features, one or a few design features rarely serve as dominant selling points of a product that might justify the award of all profits. For example, in this case Apple's own study showed that only 1% of iPhone users reported they purchased their phone because of its design and color. J.A. 505. And only 5% of respondents to a J.D. Power study identified visual appeal as one of the phone purchasing decision factors. J.A. 438. The all-profits rule is fundamentally—and unjustifiably—at odds with the apportionment principles that apply to utility patent damages.

The rule announced by the opinion below will chill innovation by allowing design patent holders to credibly threaten crippling, disproportionately large damages, thereby increasing the risks posed by litigation and the overall costs of litigation (since there will be more of it). This in turn will discourage entrepreneurship, reduce investment in startups, and deter competition among established players in a similar fashion to, but much more significant degree than utility patents. *Compare* Catherine E. Tucker, *The Effect of Patent Litigation and Patent Assertion Entities on Entrepreneurial Activity*, (2014), http://cdn.arstechnica.net/wp-content/uploads/2014/06/Tucker-Report-5.16.14.pdf.

Ultimately, the Federal Circuit's interpretation of § 289 creates a significant risk of transforming design patents from innovation incentives into yet more lucrative weapons for "patent trolls." In the utility patent context, trolls are now widely seen as

exploiting flaws in the patent system for their own monetary benefit, and their abusive litigation and threats of litigation stifle innovation. The Federal Circuit's all-profits damages rule will create new and powerful incentives for abusive design patent assertion by trolls and reduce valuable and productive innovation and business creation.

A. An All-Profits Rule Will Impose Barriers to Entry on Startups, Stifling New Innovation

Startups are an integral driver of invention, innovation and economic growth throughout the nation. *See generally* Ian Hathaway, *Tech Starts: High-Technology Business Formation and Job Creation in the United States, Kauffman Foundation Research Series: Firm Formation and Economic Growth* (2013), http://www.kauffman.org/~/media/kauffman_org/research%20reports%20and%20covers/2013/08/bdstechstartsreport.pdf. They have been "disproportionately responsible for disruptive innovations that have driven productive growth—telephone, computers, software, autos, airplanes, air conditioning, [and] internet search." See Steve Matthews, *American Economy Hamstrung by Vanishing Startups, Innovation*, Bloomberg (June 1, 2016) (quoting Robert Litan, adjunct senior fellow, Council on Foreign Relations). Startups were "a major source of innovation and productivity growth for the economy as a whole in the 1980s and 1990s." *Id.* (quoting John Haltiwanger, University of Maryland & NBER, and Steven Davis, University of Chicago). Additionally, startups heavily influence labor productivity, GDP, and job creation. *Id.* (quoting Mark Zandi, Chief Economist, Moody's Analytics, Inc.).

Recently, however, startups have increasingly been confronted by barriers both to entry and to success, and their numbers have declined. Fifty-nine percent of U.S. counties suffered a decline in new business formation and only 20 counties generated half of new businesses from 2010 to 2014. Economic Innovation Group, *The New Map of Economic Growth and Recovery* 4-5 (2016), http://eig.org/wp-content/uploads/2016/05/recoverygrowthreport.pdf. These trends are likely be exacerbated by the Federal Circuit's reading of § 289, which imposes additional, significant barriers to creating and sustaining startups.

Litigation Threats and Costs. Startups are particularly vulnerable to the total profits design patent damages rule. A startup found to be infringing a design patent, no matter how small a part the infringement plays in the startup's product, will be forced to relinquish its entire profits. The business may well fail as a result. Yet the prospect of total profits awards will incentivize patentees to assert design patents, and those patentees will have enormous leverage over startups and small innovators. Because litigation can be ruinously expensive, a single design patent lawsuit could bankrupt a new startup with a business model geared (as most are, at least initially) toward developing a single product or service. Even startups that settle will pay settlement costs disproportionate to the actual infringement, inflated by the risk of the startup relinquishing its entire profits as damages if it elects to proceed to trial on the merits.

Many startups simply do not have enough financial resources to deal with a lengthy legal battle

and often find themselves forced to settle even in cases where the asserted patent is "weak" and could be invalidated. If found to be infringing multiple design patents asserted by different owners, a startup might be subject to multiple awards of total profits. It is unlikely that a startup would be capable of satisfying any additional total profits judgment, as the first award will by definition exhaust all of its profits from the product at issue.

Such a drastic increase in litigation risks will discourage investor interest in already cash-strapped startups. Demand letters threatening design patent litigation will chill entry or development by startups or exclude them from certain already-occupied product markets, permitting established players to avoid competition beyond the true scope of their patents.

Avoiding Crowded Markets. The total profits award will also compound the effects of patent thickets, or "overlapping set[s] of patent rights" that require companies seeking to commercialize new technology to obtain licenses from multiple patentees. *See* Carl Shapiro, *Navigating the Patent Thicket: Cross Licenses, Patent Pools, and Standard-Setting*, *in* 1 INNOVATION POLICY AND THE ECONOMY 119-150, 119 (Adam B. Jaffe et al., eds., 2001), http://faculty.haas.berkeley.edu/shapiro/thicket.pdf. Relatedly, patent "hold-up," the risk that pending or undiscovered patents will be asserted after an infringing product has already been designed and introduced to the market, when it is too late to design around them, will increase the risks of and disincentives to innovating in markets with large webs of patent rights. *See id.* at 125.

For instance, a single Samsung smartphone may encompass as many as 250,000 patents, including design patents. David Drummond, *When Patents Attack Android*, Google Official Blog (Aug. 3, 2011), http://googleblog.blogspot.com/2011/08/when-patents-attack-android.html. With so many patents embodied by a single product, even established players with significant patent portfolios stand vulnerable to patent disputes. The patent thicket and hold-up issues, especially prominent in the areas of electronics and telecommunications with large numbers of utility patents, already have increased barriers to entry for startups and others considering creating products that compete with established companies' offerings.

Under the Federal Circuit's interpretation of § 289, which disproportionately values damages for infringement of design patents over utility patents, design patents likely will become essential to many companies' patent portfolios and will be asserted at least as prominently as utility patents, even in industries where design is of minimal relevance. Faced with a multitude of design patents, each carrying the potential for devastating damages awards, and with limited resources to negotiate licenses with patentees, startups will face increased difficulty in manufacturing and selling products in already-occupied markets. Since the design patent infringement standard employs an "ordinary observer" test, and the total profits rule awards the patentee an infringer's entire profits, new market entrants (and especially startups with limited capital) will be deterred from innovating in already-occupied market sectors, even when the market

demonstrates a need and a demand for such innovation.

Investment. Moreover, the Federal Circuit's interpretation of § 289 will stifle innovation by decreasing investment, often stopping startups before they can start. Early stage startups rely heavily on venture capital investment to commercialize their products and survive. Robin Feldman, *Patent Demands & Startup Companies: The View from the Venture Capital Community*, 16 Yale J.L. & Tech. 236, 254-55 (2014). Involvement in potential patent litigation—especially when the damages award divests a startup of its entire profits if it is found liable as an infringer—increases investment risk. Increased risk chills investment in such early stage companies. *Id.* at 268-69. In turn, the cost of launching a company increases, because decreased investment interest and funding forces innovators to bear more of the early-stage costs themselves or expend more of their already limited resources seeking funding. Increasing costs to launch companies reduces the number of startups innovating in the market. This, ultimately, results in fewer technological advances passed on to the general public. Economic Innovation Group, *The New Map of Economic Growth and Recovery* 2 (2016), http://eig.org/wp-content/uploads/2016/05/recoverygrowthreport.pdf.

Harm to consumers. Ultimately, consumers bear the costs of decreased innovative activity by startups. When startups are precluded from entering the market, established players develop and retain increased market share. Increased market dominance leaves established players little incentive to innovate

or improve their products—and least of all to engage in disruptive innovation beneficial to consumers and responsive to their needs.

B. An All-Profits Rule Will Stifle Innovation in User-Generated Products

The effects of the Federal Circuit's interpretation of § 289 have even greater implications for industries driven by user-generated products—including the computer numerical control routing, laser cutting, and the rapidly expanding 3D printing industries. Mass access to these technologies has and will continue to democratize innovation and production, allowing increasing numbers of amateur and semiprofessional innovators to make and sell physical items on a large scale.

Considerable evidence suggests that user innovation often complements and stimulates existing producers and industries. *See* Eric von Hippel, DEMOCRATIZING INNOVATION 107-09 (MIT Press 2005) (describing how user innovation complements large manufacturer innovation); Joachim Henkel & Eric A. von Hippel, *Welfare Implications of User Innovation*, MIT Sloan Working Paper No. 4327-03 at 3 (June 2003) ("User innovation thus helps to reduce information asymmetries and increase efficiency of the innovation process."). Democratizing innovation benefits the nation's economy by reducing production costs and benefits society by increasing access to advanced technologies. *See* Henkel & von Hippel, *supra*, at 19 ("[T]he introduction of a user innovation can have an offsetting effect to the tendency of manufacturers to underprovide product diversity to a marketplace.").

The Federal Circuit's all-profits rule will incentivize patentees to assert their design patents against a greatly expanded number of innovators, including legally unsophisticated entrepreneurs who will be especially vulnerable to the chilling effects of design patent litigation. Although the amount of money extracted from each small-scale infringer is likely to be small, the number of potential defendants may be great. This makes it both profitable and appealing to sue legally less-sophisticated parties or "downstream manufacturers" who have inadvertently incorporated an infringing off-the-shelf component into their product. *See* William F. Lee & A. Douglas Melamed, *Breaking the Vicious Cycle of Patent Damages*, 101 Cornell L. Rev. 385, 466 n.201 (2016); Executive Office of the President, *Patent Assertion and U.S. Innovation* 10 (June 2013), https://www.whitehouse.gov/sites/default/files/docs/patent_report.pdf.

3D Printing. One of the most significant technologies being used for innovation by numerous established companies, startups, and individual users is 3D printing. 3D printing transforms digital design files into physical objects. A user first designs an object on a computer by using the same design programs that an architect or an engineer might use or by scanning a preexisting object with a 3D scanner. The resulting digital file is then sent to a 3D printer which creates the object in physical space. The printer achieves this through an additive manufacturing process, precisely adding layer upon layer of material until an object is created to the design's specifications. As with traditional 2D

printers, users can simultaneously and identically create physical things worldwide.

In recent years, access to and use of 3D printing has increased dramatically, driven in part by the expiration of foundational patents and the creation of online hubs for 3D printers and 3D printable objects. By 2020, the global 3D printing industry is projected to grow to between $7 billion and $21 billion. Louis Columbus, 2015 *Roundup of 3D Printing Market Forecasts and Estimates, 2014*, Forbes.com (Mar 21, 2015), http://www.forbes.com/sites/louiscolumbus/2015/03/31/2015-roundup-of-3d-printing-market-forecasts-and-estimates/. As increased use has reduced the cost of 3D printing, the number of people designing and creating 3D printable objects has exploded, further driving down costs.

Established companies and startups alike have turned to 3D printing to manufacture their products. These businesses value 3D printing over traditional manufacturing because it is cost effective, permitting experimentation and rapid testing of prototypes, alternative designs, and improvements. Neal Katyal, *Disruptive Technologies and the Law,* 102 Geo. L.J. 1685, 1687 (2014). The 3D printing process allows objects to be created "on demand" and offers unique advantages to traditional manufacturing in the types of physical shapes that can be produced, accessibility to the public, ease of customization, and low object creation startup costs.

Some of the objects offered for sale are printed through third party platforms, such as Shapeways, while others are printed using a personal, at-home 3D printer. *See* Davis Doherty, *Downloading Infringement: Patent Law as a Roadblock to the 3D*

Printing Revolution, 26 Harv J.L. & Tech. 353, 357 (2012). On Shapeways' platform alone, hundreds of thousands of individuals have used 3D printing to create millions of objects for their own enjoyment, use, and sale. Shapeways, *Funding The Rise of Creative Commerce* (June 19, 2012), http://www.shapeways.com/blog/archives/1442-Funding-the-Rise-of-Creative-Commerce.html.

3D printing allows users to work with a variety of materials, including precious metals, ceramics, and plastics, to create an incredibly diverse set of objects. These include everyday objects, such as jewelry, tools, lawn mowers, shower heads, and myriad others. In the medical field, 3D printers have been used to create medical drugs, fabricated human skin, and a titanium pelvis. Ben Farmer, *Surgeon creates pelvis using 3D printer,* The Telegraph (Feb. 10, 2014), *available at* http://www.telegraph.co.uk/news/health/10627556/Surgeon-creates-pelvis-using-3D-printer.html. Users can create objects—often heavily customized—that were previously prohibitively expensive or unobtainable.

Ultimately, using digital technologies to make physical objects greatly increases the types of physical objects that people can create while simultaneously vastly increasing the number of people who can create them. The increasing accessibility to 3D printing encourages more people to share, distribute, and sell their physical creations to a global audience via the internet, at the same time encouraging them to incorporate others' publicly-available designs into their own, more complex products.

As a result, the number of potential "innocent infringers" who participate in the market without having extensively researched existing design patents or even developed a deep awareness of what else is in the market will likely increase significantly. 3D printing—and digital manufacturing more generally—will shift many design patent disputes from the boardroom to the start-up innovator's proverbial garage. Inventors, small entrepreneurs, and average citizens are typically not legally sophisticated and often cannot afford robust legal guidance. While such innovators have long sold products in relevant marketplaces, increased access to 3D printing and other technologies will enable them to market much larger quantities of products to a broader audience of consumers, increasing their likelihood of attracting the attention of design patentees seeking to enforce their patents and acquire innovators' profits.

Applying apportionment principles to design patent damages will not change whether and when small innovators are liable for infringement. But it will reduce the disproportionately heavy damages now available in design patent cases, particularly where the infringing component is but one feature of a complex, multi-component, functional product, mitigating the unduly harsh impact on the unknowing infringer. Leaving the Federal Circuit's rule in place will result in a substantial chill on invention and entrepreneurship and a loss of the benefits of democratized innovation, which include more and better products, decreased production costs and increased access to technology. If the total profits rule prevails, these innovators will increasingly be

the targets of extortionate design patent threats and lawsuits by newly incentivized design patent trolls, and innovation will suffer.

C. An All-Profits Rule Will Thwart Valuable Competition and Further Hamper Innovation

The case before the Court demonstrates that the impact of the draconian damages rule announced by the Federal Circuit's is not limited to small players; it will be felt strongly by larger, established market participants as well. Such firms also contribute significantly to innovation, investing billions of dollars annually on research and development for complex technological products and their components. Many established companies aggressively invest in innovation for new or existing technologies to effectively compete with one another in the market. Consumers are the ultimate beneficiaries of competitor innovation, as they receive more advanced technology at more competitive prices. The patent system should incentivize established entities to innovate and compete against one another. But the Federal Circuit's reading of § 289 limits the incentives for even established companies to innovate and undermines the fundamental goals of the patent system.

With incumbent firms as well as startups, the negative impact on innovation involving complex, multicomponent products will be especially pronounced. The value of such products often stems from hundreds or thousands of technologies and design features, not one or a few design elements. But the total-profits interpretation of § 289 puts

firms at risk of losing everything, from every feature and capability, if they infringe even a single, insignificant patented design element. This untenable result is even harder to justify when an established manufacturer innocently infringes a design patent through its independent inventive efforts, and is subject to the total profits remedy.

Rather than being incentivized to innovate, companies will be intimidated by § 289 and choose to be conservative in designing and developing their products. Innovation is considerably less appealing for companies when the whole of their profits are at risk.

Even where companies decide to continue some (probably more limited) investment in research and development, increased litigation costs will deplete their resources available for innovation. The total profits damages rule will increase the incentives for design patentees to demand greater damages or higher settlements than ever before, as the ultimate risk to the accused infringer and the accompanying settlement pressure is so high. With higher figures in risk considerations, companies will be forced to allocate more resources to litigation costs, which "necessarily come out of R&D budgets." James Bessen, *The Evidence Is in: Patent Trolls Do Hurt Innovation*, Harvard Business Review (Nov. 2014), *available at* https://hbr.org/2014/07/the-evidence-is-in-patent-trolls-do-hurt-innovation.

The combined effects of these changed incentives will be to lessen legitimate competition among established entities. Companies often compete against one another in the same marketplace with similar products. That competition gives consumers a

larger and richer array of choices for their purchase decisions. To win consumers' favor, companies innovate to introduce new technologies or enhance existing technologies. Competition drives innovation.

The Federal Circuit's total profits damages rule, on the other hand, reduces incentives to innovate—opportunities to win consumers' favor and increase product sales may now be outweighed by the financial risks of innovating under the threat of losing total profits. Rather than competing with one another and risking total profit divestment, competitors will be encouraged to shift innovation into empty or uncrowded markets, resulting in reduced competition and innovation in markets that have been "claimed." Companies will be incentivized to delve into horizontal innovation at the expense of vertical or incremental innovation when all types of innovation are crucial for advancement in technologies and for consumers. This will inevitably retard the introduction of advanced technologies to the public and limit consumer choice in the marketplace.

D. An All-Profits Rule Will Exacerbate Already Prevalent Patent Trolling Problems

This Court has already recognized that the activities of "patent trolls" "impose a harmful tax on innovation." *Commil USA, LLC v. Cisco Systems, Inc.*, 135 S. Ct. 1920, 1930 (2015). Congress and the President also have acknowledged the taxing effect of patent trolls on innovation in the passage and signing of the America Invents Act. *See, e.g.*, Executive Office of the President, *Patent Assertion and U.S. Innovation* 2 (June 2013) (quoting President

Barack Obama), https://www.whitehouse.gov/sites/default/files/docs/patent_report.pdf. The Inter Partes Review process, along with other proceedings at the Patent Trial Appeals Board of the United States Patent and Trademark Office, were created in part to curb the ever increasing activities of the trolls. Despite those efforts, data show that patent trolls still exert undue control over innovation through active and abusive litigation campaigns. According to a forthcoming report, licensing firms that acquire their patents from third parties went from being accountable for less than 5% of patent suits to around 30% between 2000 and 2014. Lemley et al., *Stanford NPE Litigation Dataset Preliminary Results and Policy Implications: Investigating Options and Outcomes* 2 (forthcoming working paper). The Federal Circuit's interpretation of § 289 will only make that trend worse. The total profits damage award rule will generate greater incentives than ever for trolls to threaten and bring lawsuits and seek to extract extortionate settlements from innovators. Such actions and settlements reduce rather than encourage innovation.

Design patents are becoming more prevalent. In 2015, 39,097 design patent applications were filed, an all-time high and a 10.5% increase from 2014 (35,378). U.S. Patent and Trademark Office, *U.S. Patent Statistics Chart Calendar Years 1963–2015*, http://www.uspto.gov/web/offices/ac/ido/oeip/taf/us_stat.htm (last visited June 7, 2016). With more applications, more design patents were granted. 25,986 design patents were granted in 2015, a record high and a 9.8% increase from 2014 (23,657). *Id.*

Design patents are appealing to applicants because they are easier, quicker, and less expensive to obtain than utility patents. Grant rates for design patents are much higher than for utility patents (86% allowance rate for design patents in 2016, compared to 49.5% allowance rate for utility, plant, and reissue patents, including Request for Continued Examination applications, in 2016). *Compare* U.S. Patent and Trademark Office, *Patents Dashboard: Design*, http://www.uspto.gov/corda/dashboards/patents/main.dashxml?CTNAVID=1006 (last visited June 7, 2016) with U.S. Patent and Trademark Office, *Patents Dashboard: Production, Backlog and Filings*, http://www.uspto.gov/corda/dashboards/patents/main.dashxml?CTNAVID=1005 (last visited June 7, 2016).

The outsized incentives for patentees created by the Federal Circuit's total-profits rule will likely accelerate these trends. With total-profits damage awards available, patent trolls will now have far greater incentives to leverage design patents for extortionate purposes. Even with damages apportioned to actual infringement in the utility patent context, patent trolls have profited and thrived on asserting such patents. The incentives to capitalize on the Federal Circuit's design-patent damages rule will be substantial. In fact, Samsung appears already to have received at least one demand letter with threats based on pending—not granted—design patent applications and explicitly relying on the decision below in this case. *See* Trolling Effects, *Demand Letter from Intellectual Capital Consulting, LTD to Samsung Telecommunications America, LLC* (June 2, 2015), https://trollingeffects.org/demand/

intellectual-capital-consulting-ltd-2015-06-02. The Federal Circuit's rule will only result in an increase in design patent litigation and crippling damage awards.

Startups are particularly vulnerable to patent trolls' abusive design patent assertions. To date, most of the targets of utility patents trolls have been startups. From 2006 to 2012, companies with less than $100 million annual revenue represented at least 66% of unique defendants to patent troll lawsuits, and at least 55% of unique defendants in those lawsuits made $10 million per year or less. Colleen Chien, *Startups and Patent* Trolls, 17 Stan. Tech. L. Rev. 461, 464 (2014). A large percentage of startups (40%) that received demand letters from patent trolls reported a "significant operational impact," ranging from delayed achievement of another milestone to shutting down a business line or the entire business. *Id.* at 465. Some start-ups even reported abandoning the U.S. market in favor of other nations. *See* James Bessen, LEARNING BY DOING: THE REAL CONNECTION BETWEEN INNOVATION, WAGES, AND WEALTH 195 (2015). But for patent trolls' abusive litigation, venture capital investment in startups would have likely been $21.772 billion higher from 2009 to 2014. Catherine E. Tucker, *The Effect of Patent Litigation and Patent Assertion Entities on Entrepreneurial Activity* 36, (2014), http://cdn.arstechnica.net/wp-content/uploads/2014/06/Tucker-Report-5.16.14.pdf.

With the possibility of gaining a target's total profits when a design patent is asserted, patent trolls will have a greatly increased incentive to use design patents against startups and extract larger-than-ever

settlements. The result will be fewer and less creative innovators and fewer startups taking fewer risks, ultimately to the detriment of consumers and the economy.

CONCLUSION

For the foregoing reasons, this Court should reverse the Federal Circuit's decision interpreting § 289 and limit the award of profits to those attributable to the patented design.

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Petitioners,

v.

APPLE INC.,

Respondent.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF *AMICI CURIAE* OF 50 INTELLECTUAL PROPERTY PROFESSORS IN SUPPORT OF PETITIONERS

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TABLE OF CONTENTS

Page

TABLE OF CONTENTS i

TABLE OF CITED AUTHORITIES ii

INTEREST OF *AMICI* 1

SUMMARY OF ARGUMENT 1

ARGUMENT 2

I. The Federal Circuit's Decision Not to Apportion Profits Produces Absurd Results 2

A. The Origin and Context of Section 289 2

B. Awarding a Defendant's Entire Profits Makes No Sense in the Modern World 3

II. Section 289 Does Not Require Disgorgement of Profits Unrelated to the Patented Design 7

CONCLUSION 11

APPENDIX 1a

TABLE OF CITED AUTHORITIES

Page

CASES

Bush & Lane Piano Co. v. Becker Bros.,
222 F. 902 (2d Cir. 1915) 9

City of Elizabeth v. Pavement Co.,
97 U.S. 126 (1877) 10

Dobson v. Bigelow Carpet Co.,
114 U.S. 439 (1885) 3

Dobson v. Dornan,
118 U.S. 10 (1886) 3

Dobson v. Hartford Carpet Co.,
114 U.S. 439 (1885) 3

eBay, Inc. v. MercExchange LLC,
547 U.S. 388 (2006) 6

Garretson v. Clark,
111 U.S. 120 (1884) 2

Seymour v. McCormick,
57 U.S. 480 (1853) 5, 6

Taylor v. Meirick,
712 F.2d 1112 (7th Cir. 1983) 8

Uniloc USA, Inc. v. Microsoft Corp.,
632 F.3d 1292 (Fed. Cir. 2011) 7

Cited Authorities

Page

Untermeyer v. Freund,
58 F. 205 (2d Cir. 1893) 9

Westinghouse v. Wagner Electric,
225 U.S. 604 (1912) 10, 11

Young v. Grand Rapids Refrigerator Co.,
268 F. 966 (6th Cir. 1920) 9

STATUTES AND OTHER AUTHORITIES

35 U.S.C. § 289 ..... *passim*

18 CONG. REC. 834 (1887) 4

18 CONG. REC. 836 (1887) 3

Act of Feb. 4, 1887, ch. 105, § 1, 24 Stat. 387 3

H.R. REP. NO. 49-1966 ..... 3, 4

David Drummond, *When Patents Attack Android*,
GOOGLE OFFICIAL BLOG (Aug. 3, 2011) 7

Frederic H. Betts, *Some Questions Under the Design Patent Act of 1887*, 1 YALE L.J. 181 (1892) 9

Jason J. Du Mont & Mark D. Janis, *Virtual Designs*, 17 STAN. TECH. L. REV. 107 (2013) 4

Mark A. Lemley, *A Rational System of Design Patent Remedies*, 17 STAN. TECH. L. REV. 219 (2013) 7, 9

INTEREST OF *AMICI*

Amici are law professors at schools throughout the United States. We have no personal interest in the outcome of this case, but a professional interest in seeing that patent law develops in a way that encourages rather than retards innovation and creativity. No one other than the undersigned wrote or funded any portion of this brief. Institutional affiliations are given for identification purposes only. Both parties have consented to the filing of this brief.

SUMMARY OF ARGUMENT

Despite Samsung's own patents, its engineering and design work, and the fact that technologies developed by Google and countless other inventors are incorporated in Samsung's phones, the Federal Circuit affirmed the jury's damages award of Samsung's entire profit from phones that were held to infringe Apple's design patents. Under the Federal Circuit's reading of 35 U.S.C. §289, design patent infringers, unlike infringers of copyrights, trademarks, or utility patents on technical inventions, are liable for their entire profits from an infringing product, even if the patented design is only a minor feature of that product.

That draconian rule is in conflict with both the Second's and Sixth Circuit's statutory interpretations, dates back more than a century to circumstances that no longer apply today, and is inconsistent with this Court's rule for utility patent damages. As applied to a modern, multicomponent product, the entire profit rule drastically overcompensates design patent owners, undervalues

technological innovation and manufacturing know-how, and raises troubling questions about how to handle other potential claims to a share of the defendant's profits. The rule applies even to innocent design patent infringement, which recent Federal Circuit infringement precedent has rendered more likely.

Section 289 should be read, in accordance with wise policy and the remainder of the patent statute, to limit the award of profits to those attributable to infringement of the design patent.

ARGUMENT

I. The Federal Circuit's Decision Not to Apportion Profits Produces Absurd Results

A. The Origin and Context of Section 289

Patent law has long included a damages apportionment principle. While early patents tended to be on fairly simple machines or chemical inventions, the industrial revolution brought patents on small parts of large, multicomponent inventions, such as locomotives. When courts awarded damages or defendant's profits for infringement of such patents, they awarded damages attributable to the patent rather than to the defendant's product as a whole. In *Garretson v. Clark*, for example, this Court said the patentee "must in every case give evidence tending to separate or apportion the defendant's profits and the patentee's damages between the patented feature and the unpatented features . . . ." 111 U.S. 120, 121 (1884).

In the nineteenth century, design patents were treated no differently. In the *Dobson* cases, involving carpets, this Court found that, while the design patents at issue had been infringed, there was no evidence by which a factfinder could distinguish the value of the patented design from the value of the unpatented carpet itself. As a result, the Court ultimately awarded only nominal damages of $0.06. *Dobson v. Dornan*, 118 U.S. 10, 18 (1886); *Dobson v. Bigelow Carpet Co.*, 114 U.S. 439 (1885); *Dobson v. Hartford Carpet Co.*, 114 U.S. 439 (1885). That result incensed many.

In 1887, when Congress rewrote the Patent Act, it responded to these concerns by passing a new provision addressing design patent infringement. That provision set a floor of $250 for design patent damages and made a defendant "further liable for the excess of such profit over and above" $250. Act of Feb. 4, 1887, ch. 105, § 1, 24 Stat. 387, 387. The 1887 Act made defendants liable only for knowing acts of design patent infringement, mitigating any potential unfairness of the 1887 Act's damages rule. As Representative Butterworth put it, "no man will suffer either penalty or damage unless he willfully appropriates the property of another." 18 CONG. REC. 836 (1887). The House Report, meanwhile, assured that "an innocent dealer or user is not affected." H.R. REP. No. 49-1966, at 4.

B. Awarding a Defendant's Entire Profits Makes No Sense in the Modern World

The design patent damages provision remains, albeit in substantially modified form, in what is now section 289 of the Patent Act. Nowadays, however, design patent infringement, like utility patent infringement, is

a strict liability claim, no longer requiring the knowing appropriation emphasized by Congress when passing the 1887 Act.

Congress's 1887 assumption that "it is the design that sells the article"[1] may still be true of carpets, but it surely is not true of all products covered by design patents today. The likelihood that a product incorporates more than one patented design is much greater than it was in 1887. Design patents on virtual features, such as icons, are particularly likely to overlap, and there are more and more of them. Jason J. Du Mont & Mark D. Janis, *Virtual Designs*, 17 STAN. TECH. L. REV. 107 (2013) (documenting the growth of virtual design patents). If there is more than one patented design in a product, the assumption that any particular patented design drives the sale of the product falls apart.

That is what has happened in this case. Here is one of Apple's many design patents on its iPhone.[2]

1. H.R. REP. NO. 49-1966, at 3 (1886), *reprinted in* 18 CONG. REC. 834 (1887).

2. U.S. Patent No. D618,677. fig.1 (filed Nov. 18, 2008).

Here is another Apple iPhone design patent.[3]

It is (barely) possible to argue with a straight face that it is the shape and overall ornamental design of the iPhone, rather than its functionality, that motivates consumers to buy it. It is not even remotely plausible that the shape of the Apple iTunes icon is what motivates people to buy the whole iPhone. And it literally cannot be the case that the phone shape patent and the iTunes icon patent are *each* the sole driver of a consumer buying the phone. Notably, all of the patents Apple asserted in this litigation cover discrete parts, rather than the entire phone. And while these patents on different aspects of the iPhone's design happen to be owned by the same company, there is no reason to think that the same will always be the case for similarly complex products.

Further, awarding the defendant's entire profit based on a plaintiff's small contribution to a product's value would cause significant mischief, as this Court noted in *Seymour v. McCormick*, 57 U.S. 480 (1853):

3. U.S. Patent No. D668,263. fig.1 (filed Oct. 8, 2010).

> If the measure of damages be the same whether a patent be for an entire machine or for some improvement in some part of it, then it follows that each one who has patented an improvement in any portion of a steam engine or other complex machines may recover the whole profits arising from the skill, labor, material, and capital employed in making the whole machine, and the unfortunate mechanic may be compelled to pay treble his whole profits to each of a dozen or more several inventors of some small improvement in the engine he has built. By this doctrine even the smallest part is made equal to the whole, and 'actual damages' to the plaintiff may be converted into an unlimited series of penalties on the defendant.
>
> We think, therefore, that it is a very grave error to instruct a jury 'that as to the measure of damages the same rule is to govern, whether the patent covers an entire machine or an improvement on a machine.'

Id. at 490-91. The result of applying that rule is that a design patent on a small component of a product gives the patentee "undue leverage" over the unpatented components. *eBay, Inc. v. MercExchange LLC*, 547 U.S. 388, 396 (2006) (Kennedy, J., concurring).

Nor does all, or even most, of the value of a product normally come from patented designs. People don't buy iPhones for their appearance alone; they buy them for their functions. Those functions contribute substantially to the phone's value and they are covered by many utility patents.

Indeed, by one estimate, there are 250,000 patents that arguably cover various aspects of a smartphone.[4] To conclude that one design patent drives the purchase of the product, and therefore that the defendant's entire profit is attributable to infringing that patent, is to say that none of those functional features contribute anything to the value of the phone – a ludicrous proposition.

Indeed, for most products (excluding, say, fashion) it is more plausible that a functional feature covered by a utility patent drives demand than that a patented design feature does. Yet even utility patent owners rarely are awarded damages based on the entire value of the product. In the rare case where that does happen, the utility patent owner must have proved that the patent was the basis for market demand. *Uniloc USA, Inc. v. Microsoft Corp.*, 632 F.3d 1292, 1318 (Fed. Cir. 2011). The Federal Circuit's interpretation of section 289 requires no such proof. It simply assumes that the only valuable thing about a product is its design. That assumption is not plausible in the modern world. *See* Mark A. Lemley, *A Rational System of Design Patent Remedies*, 17 STAN. TECH. L. REV. 219, 233 (2013).

II. Section 289 Does Not Require Disgorgement of Profits Unrelated to the Patented Design

The proper interpretation of section 289 should consider the provision as a whole. Section 289 currently reads in its entirety:

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4. *See* David Drummond, *When Patents Attack Android*, GOOGLE OFFICIAL BLOG (Aug. 3, 2011), http://googleblog.blogspot.com/2011/08/when-patents-attack-android.html.

> Whoever during the term of a patent for a design, without license of the owner, (1) applies the patented design, or any colorable imitation thereof, to any article of manufacture for the purpose of sale, or (2) sells or exposes for sale any article of manufacture to which such design or colorable imitation has been applied ***shall be liable to the owner to the extent of his total profit***, but not less than $250, recoverable in any United States district court having jurisdiction of the parties.
>
> Nothing in this section shall prevent, lessen, or impeach any other remedy which an owner of an infringed patent has under the provisions of this title, ***but he shall not twice recover the profit made from the infringement***.

35 U.S.C. §289 (emphasis added).

Section 289 does say that a defendant is "liable to the owner to the extent of his total profit." Read literally, that general language might permit damages beyond profits from the sale of the infringing product. Nonetheless, basic principles of remedies law require a plaintiff to show some connection between the damages and the infringement. As the Seventh Circuit put it in the copyright context, a plaintiff must do more than simply say it wants all the money that defendant made from whatever source. *Taylor v. Meirick*, 712 F.2d 1112, 1122 (7th Cir. 1983) ("If General Motors were to steal your copyright and put it in a sales brochure, you could not just put a copy of General Motors' corporate income tax return in the record and rest your case for an award of infringer's profits.").

That basic principle has been applied in design patent cases as well. Indeed, in one early design patent case, in which the defendant sold refrigerators with door latches that infringed the plaintiff's patent, the court refused to award the entire profits from refrigerators, instead defaulting to the $250 statutory minimum because the latch was not sold separately. *Young v. Grand Rapids Refrigerator Co.*, 268 F. 966, 973-74 (6th Cir. 1920). The court required a connection between the design patent and the profits awarded, and held that the owner of a patent on a latch was not entitled to the entire profit on the refrigerator. Similarly, the court in *Bush & Lane Piano Co. v. Becker Bros.*, 222 F. 902 (2d Cir. 1915) opined:

> The question which seems to have received little attention upon the accounting, due probably to the form of the decree, is whether the profits made by the defendant should be the entire profits of the sales of the piano and case or the profits upon the sale of the case which alone is the sole subject of the patent. We are of the opinion that the latter rule should have controlled the accounting.

Id. at 903; *see also* Lemley, *supra*, at 235; Frederic H. Betts, *Some Questions Under the Design Patent Act of 1887*, 1 YALE L.J. 181 (1892).[5]

The final paragraph of section 289, prohibiting double counting of the defendant's profits and the plaintiff's

---

5. *But cf. Untermeyer v. Freund*, 58 F. 205 (2d Cir. 1893), to the contrary.

losses, also supports apportionment of design patent profits. In defining "double counting," the statute refers to the defendant's profits measure as "the profit made from the infringement." 35 U.S.C. §289. That language clearly contemplates some kind of apportionment: the profit at issue in a design patent case is not the defendant's total profit, or even defendant's total profit from a single product, but the profit "made from"—that is, causally derived from—"the infringement."

Further evidence in support of that interpretation comes from another change to the statutory language. The 1952 Patent Act deleted language from the original statute awarding profits "made by him from the manufacture or sale, as aforesaid, of the article or articles to which the design, or colorable imitation thereof, has been applied." That original language suggested that the profit to be awarded was that associated with the articles as a whole, rather than only that profit attributable to the patented design. The deletion of that language, coupled with the reference in the second paragraph to "profits made from the infringement," suggests an interpretation of section 289 that awards only those profits attributable to the patented design.

That conclusion comports with the law of disgorgement of profits in other areas. Before disgorgement of profits was abolished as a remedy for utility patents in 1946, courts confronted the same issue they do under section 289. The law presumptively made infringers liable for *all* the profits from the infringing device. *City of Elizabeth v. Pavement Co.*, 97 U.S. 126 (1877). Nonetheless, in *Westinghouse v. Wagner Electric*, 225 U.S. 604 (1912), this Court made clear that

> there are many cases in which the plaintiff's patent is only a part of the machine and creates only a part of the profits. His invention may have been used in combination with valuable improvements made, or other patents appropriated by the infringer, and each may have jointly, but unequally, contributed to the profits. In such case, *if plaintiff's patent only created a part of the profits, he is only entitled to recover that part of the net gains.*

Id. at 614-15. The same should be true for design patents.

CONCLUSION

This Court should reverse the Federal Circuit's interpretation of section 289 and limit the award of profits to profits attributable to the patented design.

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TABLE OF CONTENTS

Table of Authorities iii

Interest of *Amici Curiae* 1

Summary of the Argument 2

Argument 4

The Federal Circuit's Entire-profits Rule will adversely affect the social and economic, wellbeing of minorities and rural Americans. 4

A. The risk of excessive design patent damages imposes burdens on entrepreneurs, especially those from minority and rural communities 5

1. Threats of entire-profits awards make entrepreneurs vulnerable to design-patent trolls and incumbents alike. 6

2. The anti-competitive effects of entire-profits awards pose special risks to minority and rural entrepreneurs. 14

B. The risk of entire-profits awards also threatens the affordability of Internet access for minority, rural, and low-income Americans. 17

1. Drastically excessive design-patent damage awards threaten to raise the cost of smartphones. 17

2. Smartphones are vital to provide Internet access to marginalized communities. 18

3. Increasing smartphone prices will make Internet access prohibitively expensive for millions in marginalized communities. 23

Conclusion 25

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Cases:

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INTEREST OF *AMICI CURIAE*[1]

Amici are nonprofit, nonpartisan groups representing communities that have been marginalized in American society by racial discrimination, poverty, cultural and language barriers, and geographic isolation. *Amici* share a common goal of fostering prosperity for these communities by encouraging entrepreneurship and small businesses.

The Hispanic Leadership Fund is dedicated to strengthening working families by promoting common-sense policy solutions that foster liberty, opportunity, and prosperity, with a particular interest in issues affecting the Hispanic community.

The National Black Chamber of Commerce seeks the economic empowerment of African-American communities through entrepreneurship. It advocates for all 2.4 million African-American-owned businesses in the United States and the communities they serve.

The National Grange of the Order of the Patrons of Husbandry is a dedicated fraternal organization that has championed America's farmers, ranchers, and other rural residents for nearly 150 years.

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[1] Petitioners have consented to the filing of amicus briefs in support of either party in a letter on file with the Clerk. Respondent has consented to *amici*'s brief by letter, a copy of which has been filed with this brief. No counsel for a party authored this brief in whole or in part, and no entity, other than *amici*, their members, or their counsel, has made a monetary contribution to the preparation or submission of this brief.

Amici are deeply concerned about the outcome of this case. If the Federal Circuit's interpretation of Section 289 of the Patent Act entitling design-patent holders to all of the profits earned on infringing devices is not reversed, it will be harder for entrepreneurs to start and develop businesses, especially those from the minority and rural communities *amici* represent. These excessive damages also risk making it unaffordable for millions of low-income, rural, and minority Americans to obtain Internet access, an indispensable tool for social, economic, and political mobility in the United States.

SUMMARY OF THE ARGUMENT

The Federal Circuit interpreted Section 289 of the Patent Act to permit design-patent holders to recover all of the profits earned on infringing products, even for designs covering only a small part of a product, or contributing little to the product's overall value. Pet. App. 27a-29-a. As Petitioner has explained, this interpretation is inconsistent with the text, history and underlying purposes of Section 289, and cannot be squared with deeply rooted limits on compensation widely adopted throughout all of American law, including intellectual property law. *Amici* write separately to explain the real-world harms likely to flow from this erroneous interpretation of Section 289.

Interpreting Section 289 to permit entire-profits awards would inhibit competition in ways that will adversely impact American commerce. And these adverse effects will fall hardest on those who have the least, including the low-income, minority, and rural Americans *amici* represent, whose social and economic

progress is already hampered by a host of other disadvantages.

The existence of entire-profits awards under Section 289 would make it harder for entrepreneurs to enter markets or grow their businesses, by enabling design-patent "trolls" to extract excessive royalties, and giving market incumbents yet another means to unfairly inhibit their less-established rivals' competitiveness. Threats from each of these sources will exert powerful leverage on many small-business entrepreneurs, making it harder for them to participate in a wide swath of industries, from high-tech consumer electronics to heavy farming equipment. But these threats could prove to be a special burden for entrepreneurs from minority and rural communities—and not just because the businesses owned by these entrepreneurs tend to be small.

Threats of dramatically excessive design patent damages will compound historic difficulties that entrepreneurs from these communities have experienced, which make them dependent on open, competitive markets to succeed, and which leave them particularly vulnerable to anti-competitive threats from design-patent holders. The stakes are also much higher for minority-owned and rural businesses, because their success represents not only prosperity for their owners, but also opportunities for jobs, empowerment, and progress for others.

Entire-profits awards could also harm many from the communities *amici* represent by depriving them of the life-altering benefits of Internet access. For millions in these communities, barriers of cost, culture, language—and for some, a dearth of basic Internet infrastructure—have all conspired to make Internet access unattainable.

Affordable smartphones have provided Internet access to many who would otherwise not be able to afford it. But the decreased competition and increased smartphone prices likely to result from the availability of entire-profits awards could deprive these people of vital Internet access. This could mean lost connections and missed vital opportunities.

Congress would never have intended for Section 289 to allow the grossly excessive award of infringer's profits that the Federal Circuit affirmed in the decision below, nor would it have intended for design patents to be used unfairly to destroy competition, innovation, and the well-being of many. *Amici* therefore urge the Court to reverse the Federal Circuit's erroneous interpretation of Section 289, and thereby prevent the perverse incentives, and tangible harms, that would otherwise follow for entrepreneurs and the communities *amici* represent.

ARGUMENT

THE FEDERAL CIRCUIT'S ENTIRE-PROFITS RULE WILL ADVERSELY AFFECT THE SOCIAL AND ECONOMIC WELLBEING OF MINORITIES AND RURAL AMERICANS.

The court of appeals' erroneous interpretation of 35 U.S.C. 289 will encourage more numerous—and absurdly excessive—design patent damage awards that could erase profits and threaten entire businesses. The threat posed by these entire-profits awards will also hand design-patent-holders a weapon so powerful that it could distort markets in a variety of industries.

A. The risk of excessive design patent damages imposes burdens on entrepreneurs, especially those from minority and rural communities.

Interpreting Section 289 to entitle design-patent holders to entire-profits awards will create a world in which some minor design feature of a company's product could produce a judgment that forces it to give all of its profits to a competitor. The risk of incurring such an award could powerfully shape segments of the American economy, affecting many companies' everyday decision-making. But the burdens associated with this risk will not be evenly distributed.

Big companies like Apple might not find entire-profits awards to be particularly troublesome, because of their privileged position in the marketplace. Big companies often have enormous resources to employ in developing products. Indeed, Apple boasts of the "billions of dollars" and the fleet of designers and engineers that it utilized to develop the iPhone. BIO 1. This product-design advantage is coupled with many others that accompany market incumbency, including better marketing networks, established manufacturing facilities, economies of scale, and name recognition that creates customer confidence and loyalty, each of which make it easier for big companies like Apple to bring products to market.[2] These many advantages make it easier for big companies to absorb the potential for an

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[2] See *Patent Reform Impact on Small Venture-Backed Companies: Hearing Before the H. Small Bus. Comm.*, 110th Cong. 98 (2007) (testimony of John Neis, Managing Director, Venture Investors).

entire-profits award on one of their products, especially when most large companies will have multiple non-infringing product lines to help soften the blow.

In contrast, small, entrepreneurial companies must survive a mine-field of potential business-destroying consequences to develop an innovative product. Inevitably they have less access to capital, and thus less capacity to absorb risk, than their more-established rivals, and their survival is often staked on the initial success of a single product line. Newcomers also face competitive threats from resource-rich incumbents, with a variety of competition-destroying tools at their disposal, including patents. For all these reasons, the possibility of entire-profits awards will have significant real-world consequences for small companies, stifling their competitiveness, imposing new barriers of entry, and chilling the development of innovative products. These consequences weigh heavily against adopting the Federal Circuit's entire-profits rule.

1. *Threats of entire-profits awards make entrepreneurs vulnerable to design-patent "trolls" and incumbents alike.*

The sheer size of an entire-profits award will impart powerful leverage, enabling design-patent holders to extract extravagant sums for even small portions of product-designs that unwittingly stray too close to their own patented designs.[3] That risk will powerfully affect

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[3] To be clear, *amici* are not advocating for greater protection for counterfeiters or willful infringers, who are rightly subject to severe penalties for their wrongdoing. E.g., 35 U.S.C. 284 (providing enhanced damages for willful infringement); 18 U.S.C. 2320 (making

the incentives on market participants that encounter design-patent holders.

Of course, the exclusive property right embodied in a patent is designed to deter some degree of competition, and rightly so. But the Court has emphasized that patent law requires maintaining "a careful balance between the need to promote innovation" through patent protection, *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 146 (1989), and the recognition that a patent's exclusive monopoly undermines the "baseline of free competition upon which the patent system's incentive to creative effort depends," *id.* at 156. The consequences of patent protection may be valuable to patent holders, but they also pose risk and uncertainty for competitors, which sometimes over-deters them from undertaking their own innovative efforts. And there is no doubt that the outsized damages associated with entire-profits awards come with outsized over-deterrent potential.

In fact, the anti-competitive effects accompanying entire-profits design-patent awards are likely to be especially debilitating, because the possibility of an excessive total-profit award is not a litigation risk that a company can internalize. Companies often guard against litigation risks by raising prices in the short term to create a buffer of cash to finance potential judgments over the long term. But when faced with a risk of an entire-profits award, charging more just means losing

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trafficking in counterfeit goods a federal crime). Their sole concern is that true competition is not inhibited by fears of inadvertent infringement.

more.[4] For small companies lacking diverse product lines, a single award could thus destroy the entire business, which means that the risk of such awards is likely to adversely affect entrepreneurs in a large number of industries.

This is not speculation. It is the demonstrably predictable outcome of affirming the Federal Circuit's interpretation of Section 289. Studies confirm that the high cost of patent lawsuits and damage awards already shapes the way entrepreneurs structure and develop their businesses. Companies forced to work under threats from patent holders spend far less on research and development—regardless of the merits of those threats.[5] And in surveys, startup executives admit that litigation risks frequently force their firms to make substantial shifts in strategy or exit business lines entirely.[6] These surveys also show that the smaller a company is, the more likely it becomes that such threats will have a significant impact on the way the company operates. Chien, note 6, *supra*, at 462. If the risk of conventional patent damage awards is enough to create

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[4] Tim Sparapani, *Stretched Too Far: Convoluted Design Patent Rules Empower Patent Trolls*, Forbes, Dec. 3, 2015, <http://onforb.es/1Ns9NnM>.

[5] Stephen Kiebzak et al., *The Effect of Patent Litigation and Patent Assertion Entities on Entrepreneurial Activity* 3 (MIT Sloan Sch. of Mgmt., Working Paper No. 5095-14, 2015).

[6] Colleen Chien, *Startups and Patent Trolls*, 17 Stan. Tech. L. Rev. 461, 461-462 (2014); *see also* Robin Feldman, *Patent Demands and Startup Companies: The View from the Venture Capital Community* 49 (UC Hastings Research Paper No. 75, 2013).

such risks, then entire-profits awards will exert even more powerful incentives, especially upon entrepreneurs and small businesses.

The effects of this heightened risk will be felt in a variety of industries well beyond consumer electronics, including those in which design would not be expected to have an impact. This was amply illustrated in *Nordock, Inc. v. Systems, Inc.*, 803 F.3d 1344 (Fed. Cir. 2015). The product at issue in that case could not have been less design-intensive: a dock leveler that enables a smooth transfer of items from trucks onto loading docks. *Id.* at 1347. The patented design could not have been for a more utilitarian, less ornamental feature: the "lip and hinge plate" on the leveler. *Ibid.* And the manufacturer could not have been less cosmopolitan, hailing from Malvern, Arkansas and Germantown, Wisconsin.[7] But the consequences were nevertheless excessively harmful to the business. The Federal Circuit, relying on the decision below in this case, rejected all attempts to limit the patent holder's recovery to the profits attributable to portion of the product incorporating the patented design, and held that the manufacturer should have been forced to turn over all of its profits on the entirety of the dock leveler. 803 F.3d at 1354-55.

Certain patent holders can be expected to leverage this outsized risk to undue advantage. For instance, some abusive non-practicing entities, or "trolls," will be able to litigate their way to profits on the backs of unsuspecting product-creators. Those who would dismiss this concern ignore the power of design patents,

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[7] See DLM, *Contact Us*, http://www.dlminc.net/Contact-Us/.

as augmented by the potential for entire-profit awards, and likewise underestimate the ingenuity of such abusive non-practicing entities. Design patents are cheaply and easily obtained, and make it possible to patent very broad design concepts when those concepts are incorporated into a particular product—like say, the curve of the iPhone's bezel. Combine these general, universally applicable designs with the broad, eye-in-the-beholder standards for determining infringement, which ask a jury to determine, solely by "comparing the patented design to the accused products," BIO 22, whether the "ordinary observer" would be confused into thinking that it embodied the patented design, *Gorham Co. v. White*, 81 U.S. (14 Wall.) 511, 528 (1872), and a design-patent holder would be able to broaden the patent's reach to very powerful effect, causing a very general design to implicate a number of potentially infringing products. There is thus little question that design patents have the capacity for abuse.

Until the Federal Circuit's decision in this case, no one had any incentive to make use of this capacity. But the availability of large damages awards for even minor design features following in that decision's wake has completely changed the litigation landscape. The "trolls" have taken notice. There is at least some evidence that non-practicing entities are assembling suites of design patents to assert against product developers, as

Petitioners, *amici*, and commentators have already explained.[8]

Moreover, if history is any guide, the changed litigation landscape is likely to attract many more such abusers of the design-patent system if the Federal Circuit's interpretation of Section 289 is upheld. For example, similar abuses followed a series of Federal Circuit decisions interpreting the false marking statute, 35 U.S.C. 287(a), 292(b), to allow any person to bring a *qui tam* action to challenge the improper marking of a product, and to recover up to $500 for each improperly marked article. *Forest Grp., Inc. v. Bon Tool Co.*, 590 F.3d 1295, 1304 (Fed. Cir. 2009); *Stauffer v. Brooks Bros., Inc.*, 619 F.3d 1321, 1327-29 (Fed. Cir. 2010). This excessive penalty led to a flood of challenges from would-be *qui tam* plaintiffs,[9] until Congress was forced to eliminate the *qui tam* option altogether in the Leahy-Smith America Invents Act, Pub. L. No. 112-29, §16, 125 Stat. 284 (2011).

Indeed, this is not the first time that design patents have spawned abuse. In the late 1860s, the Patent Office experimented with allowing "design" patents to be issued for minor functional improvements on already existing

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[8] Guiseppe Macri, *Patent Trolls Are Already Abusing the* Apple v. Samsung *Ruling*, InsideSources (Oct. 1, 2015), <http://bit.ly/1TUg13T>.

[9] *See* Kelsey I. Nix & Laurie N. Stempler, *Federal Circuit Ignites Interest in False Patent Marking Lawsuits*, The Metro. Corporate Counsel 35 (Oct. 2010), <http://bit.ly/1WBhVMG> (reporting that false marking claims accounted for 15 percent of all patent cases filed in the first nine months of 2010).

products. *Ex Parte Crane*, 1869 Dec. Comm'r Pat. 7, 7 *reprinted in* Hector T. Fenton, The Law of Patents for Designs 225, 226-26 (1889). This ill-considered effort spawned the creation of "design patent sharks," who took out "design" patents on basic farm machinery like plows, shovels, and other basic farm tools, and then sued unsuspecting farmers for using the protected technology.[10] Cases like *Nordock* illustrate that an overly expansive interpretation of the recovery available under Section 289 could lead to a resurgence in this patent-enabled chicanery, by allowing excessive damages to be extracted on the basis of the "design" of what is, in essence, a purely functional article. There is thus no shortage of abusers that will exploit the availability of entire-profit damages under Section 289. Although larger companies like Apple may be unconcerned about fostering a market for such abusive conduct, because they have the resources to fend off, or buy off, even the most abusive non-practicing entities, these abusers can be expected to exact a heavy toll upon smaller, entrepreneurial companies that lack the means to effectively defend against them.

Moreover, non-practicing entities are only part of the problem. Indeed, the outsized risks associated with entire-profit awards could be even more harmful when asserted in disputes between product-producing competitors. The ability to credibly threaten competitors

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[10] Gerard N. Magliocca, *Blackberries and Barnyards: Patent Trolls and the Perils of Innovation*, 82 Notre Dame L. Rev. 1809, 1810-11, 1829 (2007) (describing contemporary debates in Congress and in the public over the problem of so-called "patent sharks").

with entire-profit awards will give market incumbents—those with the resources to patent their designs and aggressively enforce their patent rights—unwarranted advantages against less-established rivals. Incumbents may be able to force entrepreneurs to exit the markets they dominate, and they will also be able to stifle the competitiveness of those who choose to remain. Newcomers' chances of creating innovative products will be inhibited because they will have to give incumbents' patented designs too-wide a berth. And cash-strapped startups will be forced to incur additional costs in research and development, to avoid the potential for a huge damages award, or be made to expend precious resources fighting a design-patent infringement suit. This will hinder the prospects of those that choose to compete against design-patent holders, by making the development of new businesses, and developing competing products, more difficult and expensive.

The threats to small companies and entrepreneurs posed by entire-profit awards will exist even when there is no potential that the company itself could infringe. This is because when an incumbent forces a competitor out of business for infringing a patented design, it threatens all of the competitors' component manufacturers, producers, and distributors. For these downstream companies, the risk of an entire-profit award is especially troublesome and unfair, because it is one they cannot avoid, but could nonetheless drive them out of business.

2. The anti-competitive effects of entire-profits awards pose special risks to minority and rural entrepreneurs.

All of this is bad for all entrepreneurs. But it would be especially difficult for the rural and minority business owners *amici* represent, whose success is vital to empower the disadvantaged communities they represent.[11] Minority and rural entrepreneurs will be particularly hard-hit by the anti-competitive harms posed by excessive design-patent damage awards because of their vulnerable position in the American marketplace

Historically, minorities have faced unique challenges starting and developing businesses, due to inequalities in experience and education, access to capital, as well as lending and other types of discrimination.[12] While minority business owners have made great strides in the American marketplace, they still lag far behind non-minorities in business ownership.[13]

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[11] J.P. Morgan Chase & Co., *The Big Difference Small Businesses Can Make*, Politico, Apr. 22, 2016 (*Big Difference*), <http://politi.co/1sJLwH1>

[12] Robert W. Fairlie et al., U.S. Dep't of Commerce, Minority Bus. Dev. Agency, Disparities in Capital Access between Minority and Non-Minority-Owned Businesses: the Troubling Reality of Capital Limitations Faced by MBEs 13, 17-27 (2010) (Troubling Reality), <http://bit.ly/25GifeH>.

[13] *See* Valentina Zarya, *The fastest growing group of entrepreneurs in the U.S.? Minority Women*, Fortune, Aug. 21, 2015, <http://for.tn/1UXjYXy> (analyzing 2010 Census data).

Rural business development and employment have lagged even farther behind because rural businesses are geographically distant from many commerce centers, and also because the poverty, poor health, and lack of education prevalent in rural areas place severe limitations on the available labor supply.[14] Indeed, rural businesses have been suffering a long, devastating decline, as more people move into larger metropolitan areas and local "mom-and-pop" businesses are displaced by large chains.[15]

Because of these difficulties, rural and minority-owned businesses tend to be smaller, fewer in number, and undercapitalized compared with their peers.[16] These communities were also disproportionately affected by the economic downturn in 2007-2008, which was particularly destructive to the African-American community, causing it to lose half its total wealth. *Big Difference*, note 11, *supra*. Rural and minority-owned businesses have also lagged behind in the recovery, facing greater difficulty

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[14] Council of Econ. Advisors, Exec. Office of the President, *Strengthening the Rural Economy – the Current State of Rural America* Section B (*Strengthening the Rural Economy*), <http://1.usa.gov/1JVKWvm>.

[15] Roberto Gallardo, *Study: Trends in Rural Businesses*, Daily Yonder, May 7, 2015, <http://bit.ly/1Uo26Tv>.

[16] Troubling Reality 9; Deborah Markley et al., RUPRI, *Access to Capital in Rural America: Supporting Business Startup, Growth and Job Creation in the Wake of the Great Recession, Interim Brief* 2 (Apr. 2012) (*Access to Capital in Rural America*), <http://bit.ly/1PdHdsu>.

than other groups obtaining financing for new businesses.[17]

Accordingly, minority and rural entrepreneurs often find themselves forced to compete against more established businesses in a host of industries, uniquely dependent on open, competitive markets to succeed, and uniquely vulnerable to anti-competitive threats from design-patent holders. The generally small size of rural and minority-owned businesses provide them little capacity to absorb a potential entire-profits award. Further, the special difficulties these communities experience obtaining capital will make it harder for them to raise money to cover the increased design, research, and development costs needed to mitigate the risk of design infringement, which in turn will make it even harder for them to bring new products to market. Rural and minority businesses will also more often find themselves among the smaller, downstream component manufacturers that are vulnerable to the destructive potential of design-patent infringement occurring upstream in the supply chain. Accordingly, threats of entire-profits awards could destroy minority and rural businesses, and close markets to entrepreneurs from these communities, leaving them with fewer opportunities for individual success and depriving their communities of jobs and chances for advancement.

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[17] Troubling Reality 18; VEDC, *Investing in the Success of African-American-Small Businesses: Recommendations for Increasing Access to Capital* 1 (Oct. 2015), <http://bit.ly/1VGHSsU>; *Access to Capital in Rural America* 2.

B. The risk of entire-profits awards also threatens the affordability of Internet access for minority, rural, and low-income Americans.

The possibility of entire-profits awards would also likely result in higher prices for smartphones, due to excessive damage awards, increased litigation costs, and decreased industry competition. This could threaten the ability of millions of low-income, minority and rural Americans to connect to the Internet.

1. Drastically excessive design-patent damage awards threaten to raise the cost of smartphones.

The risk of entire-profits awards created by the Federal Circuit's interpretation of Section 289 will put significant cost pressures on the smartphone industry. That industry is already heavy with design patents, with nine of the top twenty design patent holders in the United States tied to smartphones in some way.[18] The costs of producing smartphones are also extremely high—laden with hefty research and development expenses, costs for exotic materials, and indeed, patent royalties that nearly exceed the cost of the hardware that

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[18] Ann Armstrong et al., *The Smartphone Royalty Stack: Surveying Royalty Demands for the Components Within Modern Smartphones* 67 (WilmerHale Working Paper Apr. 2014) (*Smartphone Royalty Stack*), <http://bit.ly/1QTIDYv>; *see also* USPTO Statistics, Design Patenting by Organizations (2015), <http://1.usa.gov/25FLE8K> (listing the top design-patenting organizations in 2015).

goes into the phone. *Smartphone Royalty Stack*, note 18, *supra*, at 2.

These significant risks are likely to lead to decreased competition, as firms hit with entire-profits judgments, or threats of such litigation, are forced out of business, forced out of the market, or simply forced to refrain from vigorously competing. These factors will reverse the incentives that have compelled manufacturers to provide more affordable offerings, and will discourage innovations that would otherwise further drive down prices.[19] All this means higher prices for consumers.

2. Smartphones are vital to provide Internet access to marginalized communities.

These price increases will make life harder for all who depend upon smartphones for Internet access, but will be worst for many minority and rural consumers, who perhaps stand to gain the most from Internet access, and for whom smartphones provide the only affordable means of attaining that access.

From the very beginning of the Internet, there have been stark economic, racial, and geographic gaps between those who could get online and those who could not; disparities that persist today.[20] As the result of the high cost of Internet access, as well as cultural and

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[19] See Scott Martin, *Consumers likely to feel impact of Apple defeat of Samsung*, USA Today, Aug. 27, 2012, <http://usat.ly/1VGHomH>.

[20] U.S. Dep't of Commerce, Falling Through the Net: a Survey of the "Have Nots" in Rural and Urban America (Jul. 1995), <http://1.usa.gov/1UlCoyR>

language barriers inhibiting adoption,[21] some 22 percent of African-Americans (representing 10.1 million people) and 19 percent of Hispanics (another 10.8 million people) currently have no Internet access, as compared to only 15 percent of non-Hispanic whites.[22] Rural Americans' geographical isolation has also impeded their access—being 10 percent less likely than urban residents to have an Internet connection. *Americans' Internet Access*, note 22, *supra*, at 1. The poor and uneducated also are far less likely than average to use the Internet or own a smartphone. *Id.* at 6.

This inability to access the Internet inhibits the upward mobility of many in minority and rural communities. Americans without ready Internet access find themselves effectively shut out of the many job openings that now require online applications.[23] More generally, Internet exclusion prevents people from efficiently accessing information, participating in civic

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[21] James Prieger, *The Broadband Digital Divide and the Benefits of Mobile Broadband for Minorities* 7, 9 (Pepperdine Univ. Sch. of Pub. Policy, Working Paper No. 45 2013).

[22] U.S. Census Bureau, *2014 Nat'l Population Projections: Summary Tables* Table 10, <http://1.usa.gov/1vON2Gp> (projecting that there are 46.1 million "blacks" in the United States, and 56.7 million Hispanics); Andrew Perrin et al., Pew Research Ctr., *Americans' Internet Access: 2000-2015* 1(2015) (*Americans' Internet Access*), <http://pewrsr.ch/1WBiyWB> (estimating that in 2015, 22 percent of blacks and 19 percent of Hispanics do not use the Internet).

[23] HUD, *Understanding the Broadband Access Gap*, PDR Edge, <http://bit.ly/1Zq9Gks>

society, and communicating with others. The absence of Internet access thus is associated with persistent decreased social and economic mobility, and diminished quality of life.[24]

While Internet exclusion hurts all unconnected Americans, it "compounds inequalities for historically marginalized groups."[25] The inability to connect to the Internet exacerbates effects of centuries of discrimination and cultural barriers that have left minorities unequal in virtually every facet of American life, including education, health, commerce, and political involvement.[26] And it reinforces the geographic isolation that poses socioeconomic, health, and educational problems for rural Americans not experienced by their urban and suburban peers. *Strengthening the Rural Economy*, note 14, *supra*.

These groups are beginning to make strides in obtaining the life-altering benefits of Internet access. Most minority groups, including African-Americans and Hispanics, are adopting broadband Internet at a pace well above the national average, a growth that is entirely

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[24] See Lisa M. Coleman, *Creating a Path to Universal Access: The FCC's Network Neutrality Rules, the Digital Divide, & the Human Right to Participate in Cultural Life*, 30 Temp. J. Sci., Tech. & Envt'l L. 33, 49-50 (2011).

[25] FCC, Connecting America: the National Broadband Plan 129 (2011), <http://bit.ly/1JHqKMN>.

[26] Devah Pager et al., *The Sociology of Discrimination: Racial Discrimination in Employment, Housing, Credit, and Consumer Markets*, 34 Ann. Rev. Sociology 181, 186-193, 197-200 (2008).

attributable to smartphone ownership.[27] Now, a higher proportion of both African-Americans (70 percent) and Hispanics (71 percent) own smartphones than non-Hispanic whites (61 percent).[28] And minorities often forego landlines altogether in rates much higher than average.[29]

Smartphone adoption has improved the social, economic, and political lives of minorities, providing them avenues to further educational attainment,[30] vital health resources for these underserved communities,[31] better business and employment opportunities,[32] and deeper

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[27] U.S. Dep't of Commerce, Nat'l Telecomm. & Info. Admin., Digital Nation: Expanding Internet Usage 11 (Feb. 2011) (Expanding Internet Usage).

[28] Aaron Smith, Pew Research Ctr., *U.S. Smartphone Use in 2015* 13 (2015) (*U.S. Smartphone Use in 2015*), <http://pewrsr.ch/19JDwMd>.

[29] John B. Horrigan et al., Pew Research Ctr., *Home Broadband 2015* 32 (Dec. 12, 2014) (*Home Broadband 2015*), <http://pewrsr.ch/1PbbJC9>.

[30] Prieger, 18 (noting that African-Americans especially have benefitted from online educational resources, being significantly more likely to take online classes than average).

[31] The Hispanic Inst., *Hispanic Broadband Access: Making the Most of the Mobile, Connected Future*, Mobile Future 13 (July 2012) (*Hispanic Broadband Access*) (noting that online health resources have proven uniquely important for minorities, who suffer higher-than-average rates of diabetes, obesity, and cardiovascular disease), <http://bit.ly/1TQNnR7>.

social access and integration, *Hispanic Broadband Access*, note 32, *supra*, at 2.

Rural Americans have also begun to overcome their geographic isolation through mobile Internet access. Although rural Americans have been slower in adopting smartphones than those in suburban and urban areas, those who do purchase a smartphone are just as likely as those in urban areas to use it as their sole source of Internet access. *Ibid.*; *U.S. Smartphone Use in 2015*, note 28, *supra*, at 15. This has given rural communities access to mobile applications that provide enriching educational opportunities[33] and allow visits with doctors in far-away cities.[34] Perhaps most importantly, mobile applications promote the development of rural businesses, allowing geographically isolated rural businesses to tap into global markets, business development resources, crowd-sourced funding, and a telecommuting labor force, all from their mobile phones.[35] This benefits rural communities as a whole,

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[32] Aaron Smith, Pew Research Ctr., *Searching for Work in the Digital Era* 10, 17 (Nov. 19, 2015), <http://pewrsr.ch/216mDjS> (noting that minorities are more likely than average to use the Internet to search for and apply to jobs online, and to use a smartphone as part of that job search).

[33] E.g., ConnectEd Initiative, Exec. Office of the President, <http://1.usa.gov/1BOFjxr> (detailing the President's initiative to bring mobile learning to rural school districts).

[34] Clara Ritger, *How Mobile Apps Could Transform Rural Health Care*, Nat'l J., Nov. 11, 2013.

because local businesses provide a higher rate of return for their communities than chains.[36]

Vitally, these gains have been greatest for the least well-off in these historically marginalized communities, because low-income and uneducated Americans are far more likely to rely exclusively on a smartphone for Internet access than the average. *U.S. Smartphone Use in 2015*, note 28, *supra*, at 3, 18. Indeed, low-income buyers are currently the fastest growing sector of the smartphone market.[37]

3. Increasing smartphone prices will make Internet access prohibitively expensive for millions in marginalized communities.

Increased smartphone prices present a threat to these gains and an obstacle to further progress in Internet adoption for the communities *amici* represent.

The predominant reason minority, rural, and low-income populations turn to smartphones for Internet access is that mobile Internet is usually far less expensive than a wired broadband connection. Smartphones can be purchased at many locations for

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[35] Gordon Arbuckle Jr., Iowa State Univ. Extension & Outreach, *Iowa State Survey Shows Farmers Using Information Technology for Decision-making* (Sept. 23, 2015), <http://bit.ly/1UsdJIy>; Gallardo *supra*.

[36] Am. Indep. Bus. Alliance, *Ten Studies of the "Local Economic Premium"* (Oct. 2012), <http://bit.ly/1WXBm21>.

[37] NPD Grp., *U.S. Smartphone Sales among Consumers Earning Less than $30,000 Grow More Than 50 Percent, According to the NPD Group* (Apr. 15, 2015), <http://bit.ly/1Ya92ZZ>.

under $100, much cheaper than the hefty price of a home computer.[38] And mobile broadband plans usually cost far less than their fixed broadband counterparts.[39] Affordable smartphones therefore enable people to have Internet access who might not otherwise be able to afford it.

That said, many who currently rely on smartphones for Internet access can barely afford it, making their connection to the Internet extremely tenuous.[40] Cost is also the leading reason that currently unconnected minority and rural Americans cite as the reason they cannot access the Internet. Expanding Internet Usage, note 27, *supra*, at 5. Accordingly, loss of competition and price increases brought about through excessive design patent damages will make Internet access too expensive for many current adopters, and will put the Internet further out of reach for those who have not yet connected.

In sum, interpreting Section 289 to entitle design-patent holders to entire-profits awards even where a partial design is applied to a minor product component would discourage entrepreneurs from minority and rural

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[38] Lynette Holloway, *Apple vs. Samsung: Could Ruling Widen Digital Divide?*, NewsOne (2014), <http://bit.ly/1jFYtqH>.

[39] Nick Russo et al., Open Tech. Inst., *The Cost of Connectivity 2014* 14, 21 (2014), <http://bit.ly/1Zw03AV>.

[40] *U.S. Smartphone Use in 2015* 6 (relating that nearly half of those who depend upon smartphones for Internet access have had to cancel their service, and 75 percent "frequently" or "occasionally" reach their data caps).

communities from starting and developing their businesses. That interpretation would also harm the consumers and citizens of these communities, pricing them out of the most affordable means for them to obtain the essential benefits of Internet access. For both these reasons, the Federal Circuit's decision in this case should be reversed.

CONCLUSION

The judgment of the court of appeals should be reversed.

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Petitioners,

v.

APPLE INC.,

Respondent.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF OF *AMICUS CURIAE* INDUSTRIAL DESIGNERS SOCIETY OF AMERICA IN SUPPORT OF NEITHER PARTY

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TABLE OF CONTENTS

Page

TABLE OF CONTENTS i

TABLE OF CITED AUTHORITIES iii

INTEREST OF THE *AMICUS CURIAE* 1

SUMMARY OF THE ARGUMENT 1

ARGUMENT 3

I. INDUSTRIAL DESIGN IS IMPORTANT AND NEEDS TO BE PROTECTED AS CONGRESS INTENDED 3

II. IT IS UP TO CONGRESS, NOT THIS COURT, TO MAKE ANY CHANGE TO SECTION 289 BASED ON ITS LITERAL LANGUAGE AND LEGISLATIVE HISTORY 7

III. WEAKENING SECTION 289 WOULD ELIMINATE ITS DETERRENT EFFECT 11

IV. WEAKENING SECTION 289 WILL NEGATIVELY IMPACT INDUSTRIAL DESIGNERS, INNOVATIVE AND CREATIVE COMPANIES, AND ULTIMATELY STUNT THE GROWTH OF COMMERCE 15

Table of Contents

Page

A. Industrial Designers, Which Number More Than 40,000, Are The Driving Force Behind Innovative And Successful Products 17

B. Companies Will Devalue Design Because Of Copyists 18

C. Industrial Designers Will Lose Their Jobs 20

D. Growth Of Commerce And The Economy Will Be Stunted 21

CONCLUSION 24

TABLE OF CITED AUTHORITIES

Page

CASES

Dobson v. Bigelow Carpet Co.,
114 U.S. 439 (1885) 9

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118 U.S. 10 (1886) 7, 9, 11

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Page

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H.R. Rep. No. 49-1966 (1886).....9, 10

S. Rep. No. 49-206 (1886) 9, 10, 19

INTEREST OF THE *AMICUS CURIAE*[1]

Amicus Curiae Industrial Designers Society of America (IDSA) is the largest and one of the oldest membership associations for industrial design professionals.[2] The nonprofit IDSA is dedicated to improving industrial design knowledge and representing the industrial design profession to businesses, the government, and the public. IDSA has thousands of members in dozens of Student Chapters, Professional Chapters, and Special Interest Sections in the United States and internationally. IDSA also sponsors the annual International Design Excellence Awards® (IDEA), one of the world's most prestigious and rigorous design competitions. IDSA has a strong interest in offering advice to the Court on the importance of the protections that Section 289 provides to industrial designers, innovative companies, and ultimately society as a whole. IDSA respectfully submits this brief for the benefit of the Court and in specific support of neither party.

SUMMARY OF THE ARGUMENT

Industrial design and industrial designers are important to companies, consumers, and society.

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1. No counsel for a party authored the brief in whole or in part, and no such counsel or party made a monetary contribution intended to fund the preparation or submission of the brief. No person other than the *amicus curiae* or its counsel made a monetary contribution to its preparation or submission. Pursuant to Supreme Court Rule 37.3(a), all parties received appropriate notice of and consented to the filing of this brief.

2. *About IDSA*, http://www.idsa.org/about-idsa.

Industrial designers design virtually all types of articles of manufacture and help to drive innovation. Consumers make product purchasing decisions based on the appearance of product designs. Companies that invest in industrial design are more successful than those that do not.

Section 289 is clear and its literal language requires that a design patent infringer is liable for his total ill-gotten profit, without apportionment. Congress's intent was clear in trying to correct problems associated with then-existing court decisions that required apportionment. If the law is to be changed at all, which it should not be, it is up to Congress, not this Court, to revise Section 289.

Section 289 affords important protections. Weakening Section 289 would eliminate the deterrent effect provided by the United States design patent laws that has encouraged companies to innovate and create new designs of their own – a regime under which industrial design has flourished. The loss of a meaningful deterrent would cause a rise in copies at the sacrifice of new and innovative designs. Meaningful exclusivity and differentiation of new and innovative designs in the marketplace would suffer. A weakened Section 289 would devalue designs and industrial designers as companies face lower returns on their design investment. Negative effects would also likely be felt by consumers and the broader economy.

ARGUMENT

I. INDUSTRIAL DESIGN IS IMPORTANT AND NEEDS TO BE PROTECTED AS CONGRESS INTENDED

Industrial designers design manufactured products in a whole host of product categories, including automotive and transportation, children's products, computer equipment, kitchen, medical and scientific products, sports, leisure and recreation, and numerous others.[3] In a nutshell, industrial designers design all types of articles of manufacture—from everyday commodities to durable extravagances. Designers combine creativity, business, and engineering talent with information on product use, marketing, and materials of construction to create the best and most appealing designs, and to make the product competitive with others in the marketplace.[4]

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3. *See IDEA 2016 Categories*, Industrial Designers Society of America – IDSA, http://www.idsa.org/idea-2016-categories. Other product categories include commercial and industrial products, communication tools, digital design, entertainment, environment, home and bath, office and productivity, outdoor and gardens, packaging and graphics, personal accessories, research, service design, and social impact design. *Id.*

4. *See* Bureau of Labor Statistics, U.S. Department of Labor, *Occupational Outlook Handbook, 2016-17 Edition*, Industrial Designers, http://www.bls.gov/ooh/arts-and-design/industrial-designers.htm; *see also* Bureau of Labor Statistics, U.S. Department of Labor, *Occupational Outlook Handbook, 1992-93 Edition*, Issue 2400, Industrial Designers, 173-74 (1992).

Industrial designers create products that optimize appearance, function, and value.[5] Industrial design helps make products more aesthetically pleasing, more compelling to use, and more relevant in a world that seems to change at an ever-increasing rate.[6] It is indisputable that consumers purchase products based in large part on their designs. "[I]n the face of increasing competition, design is often the only product differentiation that is truly discernable to the buyer."[7] "With assurance that competing products perform equally well enough, last equally long enough, and cost about the same, we can afford to purchase them on aesthetic grounds alone."[8] For example, in the automotive field, "[r]eliability, braking, steering, handling, ride, and refinement are all largely on par across automakers and segments. That leaves just one chief differentiator: design."[9]

Aesthetic contributions by industrial designers are not just the lynchpin for purchases of similarly performing

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5. *See What is Industrial Design?*, Industrial Designers Society of America – IDSA, http://www.idsa.org/education/what-is-industrial-design.

6. Jeneanne Rae, *What Is the Real Value of Design*, DESIGN MANAGEMENT INSTITUTE 33 (Winter 2013).

7. Dieter Rams, *Dieter Rams on Good Design as a Key Business Advantage*, http://www.fastcodesign.com/1669725/dieter-rams-on-good-design-as-a-key-business-advantage. Trademark branding can also contribute to consumer choice.

8. Del Coates, *Watches Tell More than Time* 32 (2003).

9. *See* Bob Lutz, *Driven by Design*, Road and Track, 108 (Sept. 2015) (the "one chief differentiator [in the automobile industry is] design").

products; consumers often pay a premium for product beauty.[10] For example, "[p]eople pay thousands of dollars more for superior appearance in a car, or even a watch, above and beyond either product's practical value."[11] "Computers and other high-tech products also fall increasingly into the same category."[12] America's middle market consumers are willing to pay premiums of 20% to 200% for the kinds of well-designed, well-engineered, and well-crafted goods—often possessing the artisanal touches of traditional luxury goods – for products in many sectors including automobiles, home furnishings, appliances, consumer electronics, and shoes and other apparel.[13]

In today's world, companies must focus on industrial design in order to be successful or profitable.[14] While the Standard & Poor's 500 Index grew 75 percent from 2003 to 2013, companies determined to be on a "Design-Centric Index" grew an astonishing 299 percent over the same 10 year span and outperformed the S&P 500 Index by 228%.[15] Other research further confirms the long-held belief that

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10. Del Coates, *supra* note 8.

11. *Id.*

12. *Id.*

13. Michael J. Silverstein & Neil Fiske, *Luxury for the Masses*, Harvard Business Review (April 2003), https://hbr.org/2003/04/luxury-for-the-masses.

14. Dieter Rams, *supra* note 7; Jeneanne Rae, *supra* note 6.

15. Jeneanne Rae, *supra* note 6. Companies included in the Design-Centric Index were weighed against six different criteria. *Id.* at 32.

design-conscious firms are more successful.[16] Indeed, IDSA estimates that every $1 spent on design results in an average $2,500 in sales for companies with sales under $1 billion, and $4,000 for those with sales over $1 billion.[17] The reach of design extends not just to large companies, but also to startups.[18] Because designers' contributions impact product sales and a company's ability to compete, it is an inescapable conclusion that industrial designers impact the American economy and civil society.[19]

Additionally, creativity often begets innovation and invention. According to data from the United States Patent and Trademark Office (USPTO), approximately 40 percent of inventors named on design patents were also

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16. Marjorie B. Platt et al., *Valuing Design: Enhancing Corporate Performance through Design Effectiveness*, 12 Design Management Journal 3, 12 (Summer 2001) ("There is evidence that companies that invest in design tend to launch or profitable products and boast higher returns at the firm level"); *see also* Julie H. Hertenstein et al., *The Impact of Industrial Design Effectiveness on Corporate Financial Performance*, 22 J. Prod. Innov. Manag. 3, 17 (2005) ("firms rated as having 'good' industrial design are stronger on virtually all measures").

17. Roxane Farmanfarmaian, *Does Good Design Pay Off?*, Working Woman, July 1985, 47.

18. *See* Johan Persson, *Here is how design can drive shareholder value: My top 5 arguments*, LinkedIn (Apr. 13, 2016), https://www.linkedin.com/pulse/here-how-design-can-drive-shareholder-value-my-top-5-johan-persson.

19. *See* Bonnie Nichols, *Valuing the Art of Industrial Design*, National Endowment for the Arts, Research Report #56, 4 (Aug. 2013).

named on utility patents.[20] That is, industrial designers not only drive aesthetic innovation, they also materially contribute to technological innovation. Given the economic significance of design, it is no wonder that there are more than 40,000 industrial designers practicing in the United States.[21]

Notably, the economic engine of industrial design developed under the existing framework of the Patent Act Section 289 and its predecessor statute, where the clear statutory language and consistent precedent for over a century requires the award of total infringer's profits *without apportionment*, because apportionment is inexact, difficult, and costly to prove. *See Dobson v. Dornan*, 118 U.S. 10 (1886). Importantly, this remedy is rooted in principles of equity that assign a potential over-payment to the infringer in the form of relinquishing all its ill-gotten gains, rather than penalize the designer through inexact and costly deductions by apportionment. *See id.* On this point, Congress was clear in its language and in its intent.

II. IT IS UP TO CONGRESS, NOT THIS COURT, TO MAKE ANY CHANGE TO SECTION 289 BASED ON ITS LITERAL LANGUAGE AND LEGISLATIVE HISTORY

Whoever "sells or exposes for sale any article of manufacture to which [the patented] design or colorable

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20. *Id.* at 5.

21. *Id.* at 17. As of 2015, the median pay of industrial designers was over $67,000. Bureau of Labor Statistics, *Occupational Outlook Handbook, 2016-17 Edition*, *supra* note 4.

imitation has been applied shall be liable to the owner ***to the extent of his total profit***, but not less than $250." 35 U.S.C. § 289 (2012) (emphasis added). Whether infringer's profits should be apportioned is not a new question. Congress answered in 1887 with an emphatic "no." *See* Act of Feb. 4, 1887, Ch. 105, § 1, 24 Stat. 387 (hereinafter "Act of 1887"). Notably, Congress passed the Act of 1887 providing infringer's total profits to eliminate an apportionment requirement for infringer's profits that had been established by the courts. The provisions of the Act of 1887 remain substantively unchanged and exist in present form in Section 289.

In 1884, the Supreme Court held that a patentee could recover only the infringer's profits attributable to the patented feature, and not the profits attributable to the article itself. *Garretson v. Clark*, 111 U.S. 120, 121 (1884) (the patentee "must in every case give evidence tending to separate or apportion the defendant's profits and the patentee's damages between the patented feature and the unpatented features"); *see also Nike, Inc. v. Wal-Mart Stores, Inc.*, 138 F.3d 1437, 1441 (Fed. Cir. 1998) (describing *Garretson v. Clark*). In what has become known as the "Carpet Cases," four lawsuits were brought in the 1870s against carpet makers (the Dobson brothers) for infringing design patents on carpet designs.[22] The Dobson brothers were quickly found liable

22. For 10 years between 1870 and 1880, approximately 45% of all granted design patents were for carpets and rugs. Jason J. Du Mont and Mark D. Janis, *American Design Patent Law: A Legal History, Ch. 6 Design Patent Remedies*, 12-15 (May 26, 2016), *available at* http://ssrn.com/abstract=2784746.

for infringement in all four cases.[23] The major question that remained was damages.

Culminating in a series of decisions in the Carpet Cases by the Supreme Court in 1885 and 1886, the Court held that the infringers of patented designs for carpets were liable for only nominal damages of six cents because the patentees could not prove which portion of the infringer's profits was attributable to the design, and which portion was attributable to the carpet itself. *See Dobson v. Dornan*, 118 U.S. 10 (1886) (requiring a showing of the amount of the defendant's profits due to infringement of the protected design); *see also Dobson v. Hartford Carpet Co.*, 114 U.S. 439 (1885); *Dobson v. Bigelow Carpet Co.*, 114 U.S. 439 (1885). These decisions left design patentees without any meaningful remedies.[24]

Congress responded by passing the Act of 1887 to overrule the apportionment requirement established in the Carpet Cases and to provide an effective remedy for design patent infringement.[25] The accompanying House

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23. *See id.* at 15, 19. The Dobson brothers were painted as willful copyists, and the brothers offered little resistance to these allegations, even being called "infringers, by profession." *See id.* at 17. Moreover, the Dobsons conceded to infringement in one case, failed to answer complaints in two cases, and were subject to a preliminary injunction (and eventually found to infringe in a court order) in the fourth case. *See id.*

24. *See* S. Rep. No. 49-206, at 2-3 (1886).

25. *See* Act of Feb. 4, 1887, Ch. 105, § 1, 24 Stat. 387; *see also* H.R. Rep. No. 49-1966, at 1 (1886) ("It now appears that the design patent laws provide no effectual money recovery for infringement.").

Report explained that "[i]t is expedient that the infringer's entire profit on the article should be recoverable," for "it is not apportionable," and "it is the design that sells the article." H.R. Rep. No. 49-1966, at 2-3 (1886); *see also Nike*, 138 F.3d at 1442 ("The difference for design patents, as enacted in 1887, was the removal of the need to apportion the infringer's profits between the patented design and the article bearing the design."). The Senate Report argued that failure to pass the bill would "virtually repeal the design patent laws" and that the situation was an "emergency." S. Rep. No. 49-206, at 2-3 (1886). "[T]he House and Senate reports are definitive in their rejection of an apportionment requirement." Du Mont, *supra* note 22, at 39. The provisions from the Act of 1887 have not substantively changed, and are now codified in Section 289: whoever "sells or exposes for sale any article of manufacture to which [the patented] design or colorable imitation has been applied shall be liable to the owner ***to the extent of his total profit***, but not less than $250." 35 U.S.C. § 289 (emphasis added).

Because awarding total profits on the entire infringing product under Section 289, without apportionment, is clear from both the literal language of Section 289 and the legislative context of Section 289, any revision to Section 289 to add an apportionment requirement should be made by Congress, not the courts. *See Microsoft Corp. v. AT&T Corp.*, 550 U.S. 437, 458-459 (2007) ("If patent law is to be adjusted ..., the alteration should be made after focused legislative consideration, and not by the Judiciary").

III. WEAKENING SECTION 289 WOULD ELIMINATE ITS DETERRENT EFFECT

To the extent Section 289 is interpreted in any way that varies from its clear meaning, it must not be weakened to eliminate its deterrent effect. Congress established Section 289 in 1887 in response to the Carpet Cases, where only nominal damages were awarded because of the difficulty in proving an apportioned amount. *See, e.g., Dobson v. Dornan*, 118 U.S. 10 (1886). While the new statute eliminated apportionment to award the total profit from the sale of the infringing article, it also provided a deterrent effect so that third parties would not simulate the designs of others who had protected their designs with design patents.[26]

Under the framework of Section 289, copyists had a choice: either create an original design for a product or simulate the design of a competitor and risk having to turn over all of its ill-gotten gains if caught.[27] Of course, product simulations and knockoffs still occur because the upside of profiting from infringement is often worth the risk to copyists. Copyists hope that they will fully or partially escape liability due to the patentee failing to detect infringement, delays in patent grant by the USPTO, or hurdles imposed on the patentee by the notice/marking statute of Section 287. Despite these product simulations and knockoffs, Section 289 has led most

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26. *See Nike, Inc. v. Wal-Mart Stores, Inc.*, 138 F.3d 1437, 1448 (Fed. Cir. 1998) ("[Section 289] requires the disgorgement of the infringers' profits to the patent holder, such that the infringers retain no profit from their wrong.").

27. *See id.*

branded companies to create new and innovative product designs, which in turn has benefitted the companies, consumers, and society.[28]

Section 289 provides the only meaningful deterrent to infringement in the United States design patent laws. Weakening Section 289 contrary to its clear meaning either in the form of a reduced monetary award or in a way that places a higher enforcement burden on the design patentee would only serve to embolden infringers to copy more original designs. It is the deterrent effect of Section 289 that provides the teeth for the exclusive design right, and it is this exclusive right that has caused the growth of designs and the design profession in the United States.

Congress could have chosen a different statutory scheme to serve the deterrent purpose. For example, European design law provides deterrents against infringement by laws that provide upon a finding of infringement: (a) injunctions as a matter of right,[29]

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28. *See* David. J. Kappos, *America Doesn't Do Enough to Protect Its Innovative Designs*, Wired Magazine (Nov. 9, 2015), http://www.wired.com/2015/11/america-doesnt-do-enough-to-protect-its-innovative-designs/ ("Our laws and policies covering design patents play an important role in promoting and protecting that investment. Critically, this includes requiring infringers to pay design patent holders for all damage caused, which discourages infringement and encourages the development of new and innovative designs by providing innovators the opportunity to recover their costs without being undermined by free riders who have not made the same investment. Competitors must instead rely on differentiation and innovation to set themselves apart, further benefitting consumers.").

29. *See* Council Regulation (EC) No 6/2002, amended by Council Regulation No 1891/2006, Art 89.1(a).

(b) award of attorneys' fees to the design right holder as a matter of right,[30] (c) seizure or destruction of the infringing products,[31] and (d) customs enforcement of designs.[32] Indeed, copying the designs of others in the U.K. is a crime that can land the copier in jail.[33] Congress could have chosen any or all of these as its deterrent against design patent infringement, but it chose instead to have the infringer forfeit all of its ill-gotten gains to the design patentee.

Section 289 should be interpreted consistent with its clear meaning and considered in view of the existing statutory scheme that provides the deterrent effect needed in the United States design laws. To the extent

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30. *See* Council Regulation (EC) No 6/2002, amended by Council Regulation No 1891/2006, Art 88.2. Award of reasonable attorneys' fees to the prevailing design right holder is provided under the national laws of the individual Member States, applicable pursuant to Article 89.1, and is made mandatory pursuant to Article 14 Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights. *See* Directive 2004/48/EC of the European Parliament and of the Council, Art. 14, *available at* http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32004L0048R(01) ("Member States shall ensure that reasonable and proportionate legal costs and other expenses incurred by the successful party shall, as a general rule, be borne by the unsuccessful party, unless equity does not allow this").

31. *See* Council Regulation (EC) No 6/2002, amended by Council Regulation No 1891/2006, Art 89.1(b)-(c).

32. *See* Regulation (EU) No 608/2013 of the European Parliament and of the Council, whole and Art 2.3(a).

33. Registered Design Act 1949, as amended by the IP Act 2014; Sections ss35ZA to C.

that there is any uncertainty in an infringer's total profits analysis, the burden should fall on the infringer so that the deterrent effect intended by Congress remains as close to fully intact as possible.

Weakening Section 289 in any manner will likely make Section 284 the default remedy for design patentees. Under Section 284, design infringers would only be liable for a reasonable royalty because the "but for" standard associated with lost profits is typically difficult or impossible to prove in many design patent cases where copied products are commonly sold at a lower price than the design patentee's innovative product.[34] Limiting a design patentee's remedy to a reasonable royalty would embolden infringers to copy more designs and copy designs more frequently because having to pay merely a reasonable royalty would likely be treated by the copyists as an acceptable cost of doing business in lieu of actually employing designers and innovating. Moreover, infringers would only have to pay a portion of this cost of doing business in view of the many situations where the patentee fails to detect infringement, the USPTO delays patent grant, or because of hurdles imposed on the patentee by the notice/marking statute of Section 287. With more and more copies, simulations, and knockoffs in the marketplace, companies will be less likely to invest in original designs, and innovation will be stifled.

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34. *See* 35 U.S.C. § 284 (2012); *see, e.g.*, Paul Nunes & Narendra P. Mulani, *Can Knockoffs Knock Out Your Business*, Harvard Business Review (October 2008), https://hbr.org/2008/10/can-knockoffs-knock-out-your-business.

Accordingly, Section 289 needs to have its clear meaning followed to provide the deterrent effect that Congress intended. Section 289 ensures a regime where companies are incentivized to invest in the creation of innovative designs and would-be infringers are disincentivized from copying.

IV. WEAKENING SECTION 289 WILL NEGATIVELY IMPACT INDUSTRIAL DESIGNERS, INNOVATIVE AND CREATIVE COMPANIES, AND ULTIMATELY STUNT THE GROWTH OF COMMERCE

The visual design of a product often drives product success and plays a critical role in the viability and success of many of America's most innovative companies and industries. A Gallup poll of senior business executives rated industrial design as 60 percent responsible for the success of any new product.[35] The Supreme Court recognized this design to economy connection a long time ago, stating "[t]he law manifestly contemplates that giving certain new and original appearances to a manufactured article may enhance its salable value, may enlarge the demand for it, and may be a meritorious service to the public."[36] Former President Ronald Reagan, in an exhibition behind the then Iron Curtain, introduced visitors by stating:

> Design is an integral part of our lives and as such reveals a great deal about who we are and what we value as Americans. "Design in

35. Roxane Farmanfarmaian, *Does Good Design Pay Off?*, Working Woman, July 1985, 47.

36. *Gorham Mfg. Co. v. White*, 81 U.S. 511, 525 (1871).

> America" vividly expresses our love of mobility, our respect for ingenuity, and – above all – the creative freedom we so deeply cherish ... Today, designers, manufacturers, and an ever more discerning consumer are joined together in a global network. Design has become an international language, linking the ideas and aspirations of people the world over.[37]

Lee Kun-Hee, chairman of Samsung Group, famously said in 1996 that design would become "the ultimate battleground for global competition in the 21st century."[38] Even an entire museum in the nation's capital is dedicated to "architecture, engineering, and design."[39] Industrial designers are the driving force behind these innovative and successful products.

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37. United States Information Agency, Introduction to "Design in America" (1988) (videotape available through the USIA); *see* Cooper C. Woodring, *A Designer's View of Current Industrial Design Protection in the United States*, 19 U. Balt. L. Rev. 154, 156-157 (1989) (referencing former President Ronald Reagan's quote).

38. Youngjin Yoo & Kyungmook Kim, *How Samsung Became a Design Powerhouse*, Harvard Business Review (September 2015), https://hbr.org/2015/09/how-samsung-became-a-design-powerhouse.

39. National Building Museum, *Telling the Stories of Architecture, Engineering, and Design*, http://www.nbm.org/.

A. Industrial Designers, Which Number More Than 40,000, Are The Driving Force Behind Innovative And Successful Products

More than 40,000 industrial designers call the United States home.[40] Industrial designers significantly influence a company's identity and help direct the future of the entire company. *The Telegraph* has gone on to call one of these industrial designers, Apple's Jony Ive, the most influential Briton in America.[41] Jony Ive beat out the likes of Tim Berners-Lee (creator of the World Wide Web), Ridley Scott (director of Alien and Blade Runner), Howard Stringer (CEO of Sony), celebrity chef Gordon Ramsay, and celebrity presenters Simon Cowell and Craig Ferguson.[42] Leaders at numerous companies now rely on

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40. Bonnie Nichols, *Valuing the Art of Industrial Design*, National Endowment for the Arts, Research Report #56, 17 (Aug. 2013).

41. *The Most Influential Britons in America*, The Telegraph (Jan. 10, 2008), http://www.telegraph.co.uk/news/uknews/1435096/ThetoptenmostinfluentialBritonsinAmerica.html.

42. *Id.*; *see The Most Influential Britons in America: 20-11*, The Telegraph (Jan. 9, 2008), http://www.telegraph.co.uk/news/uknews/1435097/ThemostinfluentialBritonsinAmerica2011.html; *The Most Influential Britons in America: 30-21*, The Telegraph (Jan. 9, 2008), http://www.telegraph.co.uk/news/uknews/1435099/ThemostinfluentialBritonsinAmerica3021.html; *The Most Influential Britons in America: 40-31*, The Telegraph (Jan. 8, 2008), http://www.telegraph.co.uk/news/uknews/1435100/ThemostinfluentialBritonsinAmerica4031.html; *The Most Influential Britons in America: 50-41*, The Telegraph (Jan. 7, 2008), http://www.telegraph.co.uk/news/uknews/1435101/ThemostinfluentialBritonsinAmerica5041.html.

designers to direct the future of the entire company.[43] Clearly, industrial designers are of vital importance and provide tremendous value to a company because design is the great product differentiator and often controls the company's identity.[44]

B. Companies Will Devalue Design Because Of Copyists

Weakening Section 289 by adding an apportionment requirement or imparting any additional burdens on the design patentee will embolden copyists to copy designs created by industrial designers at innovative companies. When these innovative companies lose design exclusivity, these companies will compete in the marketplace against their own designs – made by copyists. However, the research and development costs that the innovative companies incur to develop new and creative designs (including the cost of hiring industrial designers) will not be incurred by the copyists. As a consequence, companies employing industrial designers will yield a lower return on

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43. *See* Karl T. Greenfeld, *How Mark Parker Keeps Nike in the Lead*, Wall Street Journal Magazine (Nov. 4, 2015), http://www.wsj.com/articles/how-mark-parker-keeps-nike-in-the-lead-1446689666; Youngjin Yoo & Kyungmook Kim, *How Samsung Became a Design Powerhouse*, Harvard Business Review (Sept. 2015), https://hbr.org/2015/09/how-samsung-became-a-design-powerhouse.

44. *See* Bob Lutz, *Driven by Design*, Road and Track, 108 (Sept. 2015) (the "one chief differentiator [in the automobile industry is] design"); Dieter Rams, *Dieter Rams on Good Design as a Key Business Advantage*, http://www.fastcodesign.com/1669725/dieter-rams-on-good-design-as-a-key-business-advantage.

their design investment, and will have to consider whether to continue to invest in industrial designers, or whether to abandon innovative design, join the ranks of the copyists, and reduce their hiring of industrial designers. Under basic economic principles, the lower return on investment of industrial designers' services will likely result in a reduction in industrial design jobs or lower salaries. This is exactly what Congress was trying to avoid by passing the predecessor statute to Section 289.[45]

Companies will also likely reduce their design patent filings as a result of the lower return on investment in design protection and industrial designers. In the 1880s as a result of the Carpet Cases interpreting the prior statute to include an apportionment requirement as prerequisite to an infringer's profit remedy, "the receipts of the Patent Office in the design department and the average weekly issue of design patents ha[d] fallen off 50 percent."[46] It took the passage of the Act of 1887 to reverse this trend and to save the design industry.[47] If the Supreme Court adds an apportionment requirement to Section 289 or otherwise increases the patentee's enforcement burden, drops in design patent filings and issuances should be expected because creative and innovative companies (and their industrial designers) will no longer have an effective remedy for protecting their designs.

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45. *See* S. Rep. No. 49-206, at 2-3 (1886) (stating that failure to pass the bill would "virtually repeal the design patent laws" and that the situation was an "emergency").

46. *Id.* at 1.

47. *See* Act of Feb. 4, 1887, Ch. 105, § 1, 24 Stat. 387.

C. Industrial Designers Will Lose Their Jobs

Without effective remedies to prevent the copying of designs, many of the over 40,000 industrial designers will have their jobs at risk, make a lower salary, or voluntarily leave the profession as a result of companies devaluing designs. In other words, the current design patent laws (especially infringer's total profits under Section 289) support industrial design as a profession. Many of these designers will effectively be replaced by copyists if Section 289 is weakened, and the growth of industrial designers at innovative companies, such as Apple and Samsung, may be reversed.[48]

Moreover, because of the likely reduced job prospects for industrial designers, the pool of would-be industrial designers will also likely shrink. There would be fewer financial incentives for students to choose the industrial design profession. The National Association of Schools of Art and Design, which establishes national standards for undergraduate and graduate degrees, has approximately 346 accredited institutional members, with each member having numerous design-focused programs.[49] This is more

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48. "Apple made design its premier strategic weapon from the start." Tom Peters, *The design opportunity*, The Herald (1987). In 2004, Samsung doubled its designers to 470, with its design budget steadily increasing 20-30% each year. *Samsung Design*, Businessweek 48 (Nov. 29, 2004), *available at* http://www.bloomberg.com/news/articles/2004-11-28/samsung-design. Samsung now has over 1,600 designers. Youngjin Yoo & Kyungmook Kim, *supra* note 38.

49. *See National Association of Schools of Art and Design*, National Association of Schools of Art and Design, http://nasad.arts-accredit.org/.

than twice as many accredited design programs than in 1991.[50] Design programs are being introduced every day, and one business expert called design education as "absolutely critical" to "business school education."[51] Fewer job prospects in the industrial design field will likely result in a drop in the number of prospective design students, and ultimately may cause many of these design schools and programs to reduce their offerings or shut their doors altogether.

D. Growth Of Commerce And The Economy Will Be Stunted

To remain profitable and competitive, companies can pursue one of two strategies: a "shrinking" strategy by "aggressively shrinking operations and cutting costs" or a "growth" strategy achieved by developing new products through innovative design.[52] Weakening Section 289 will eliminate the primary tool to ensure that creative

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50. In 1991, NASAD listed 166 accredited members. Bureau of Labor Statistics, U.S. Department of Labor, *Occupational Outlook Handbook, 1992-93 Edition*, Issue 2400, Industrial Designers, 173-74 (1992).

51. *Business Week's Bruce Nussbaum on Design*, @Issue, 4 J. Bus. & Design 1, 4 (1998). "Bruce Nussbaum is the author of Creative Intelligence." *Author Page, Bruce Nussbaum*, Fast Company & Inc., http://www.fastcodesign.com/user/bruce-nussbaum. Large corporations, such as Samsung, are even bringing in faculty from well-known design schools to rigorously train their designers and engineers. *See* Youngjin Yoo & Kyungmook Kim, *supra* note 38.

52. *Business Week's Bruce Nussbaum on Design*, *supra* note 51, at 3-4.

and innovative companies can follow a growth strategy. As a result of copyists no longer being deterred from copying the designs of others, some companies may choose to return to the age of reduction and cost-cutting.[53] According to Bruce Nussbaum, it is not clear if these companies will even be able to return to such an era of "shrinking, streamlining and tightening."[54] In this type of economy, product differentiation by design will lessen, and fewer new and creative products will be introduced into marketplace. Copyists will reap the rewards, while designers sit on the sidelines.

The prevalence of copyists will harm everyone from industrial designers to corporations that employ their services. The job market for industrial designers will likely contract. Startups, which significantly rely on industrial designers and the deterrent effect afforded by Section 289,[55] will falter and fail more often. Small to medium-sized businesses, which form the backbone of the United States economy, will not be able to continue developing new and innovative products because of the looming threat of copyists.[56] Large design-driven

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53. *See id.*

54. *See id.*

55. Brady Forrest, Vice President of a hardware startup accelerator, argues that "[t]he selection of an industrial designer is incredibly important to the future of your company, because they become a partner in product development." *See* Diana Budds, *Ideo, Astro, And Whipsaw: What Every Startup Should Know About Design* (May 31, 2016), http://www.fastcodesign.com/3060300/ideo-astro-and-whipsaw-what-every-startup-should-know-about-design.

56. *See* Paul Sarvadi, *Small Business Is the Backbone of America*, Entrepreneur (Apr. 27, 2005), https://www.entrepreneur.

corporations may also be forced to shrink operations and cut costs in order to remain profitable. As a result of these reductions, growth of commerce and the economy will be stunted. As David Kappos, former Under Secretary of Commerce for Intellectual Property and Director of the USPTO, wrote:

> To promote great design, the law must afford meaningful protection for designers' work. As a discipline, design creates usability in a world that otherwise cannot obtain benefit from much of today's product and service capabilities. Great design means great products, which means great experiences for consumers, and great productivity for society. To maintain America's lead in this field, it is critical that we continue to incentivize investment in great design by ensuring that our design protection laws remain strong.[57]

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com/article/77398 ("Innovation and job creation are the foundation of a healthy economy. In the United States, we rely on the small-business community for both of these precious resources.... The nation's small-business community is a vital source of competition, which forms the foundation for innovation.").

57. David. J. Kappos, *America Doesn't Do Enough to Protect Its Innovative Designs*, Wired Magazine (Nov. 9, 2015), http://www.wired.com/2015/11/america-doesnt-do-enough-to-protect-its-innovative-designs/.

CONCLUSION

Amicus IDSA submits that the express language, legislative history, and precedent of Section 289 require that a design patent infringer shall be liable to the extent of its total profit, without apportionment. Because this is precisely what Congress intended when it wrote the law and because a robust national economy has developed under this regime, weakening Section 289 would eliminate the deterrent effect in the design patent law, likely increase design product copies, reduce innovation, reduce the value of industrial design and industrial designers, reduce product differentiation, and have other negative impacts. For at least these reasons, this Court should not require apportionment or impose burdens on design patentees that would weaken Section 289.

Respectfully submitted,

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SAMSUNG ELECTRONICS AMERICA, INC.,
SAMSUNG TELECOMMUNICATIONS AMERICA LLC,

Petitioners,

v.

APPLE INC.,

Respondent.

On Writ Of Certiorari To The United States Court Of Appeals For The Federal Circuit

BRIEF OF *AMICI CURIAE* ON BEHALF OF INTELLECTUAL PROPERTY PROFESSORS IN SUPPORT OF RESPONDENT

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TABLE OF CONTENTS

Page

TABLE OF AUTHORITIES iii

INTEREST OF THE *AMICI CURIAE* 1

SUMMARY OF THE ARGUMENT 1

ARGUMENT 3

I. THE DESIGN PATENT SYSTEM'S SPECIAL REMEDIES PROVISION REFLECTS INFLUENCES BOTH INTERNAL AND EXTERNAL TO PATENT LAW, AND MUST BE CONSTRUED ACCORDINGLY 3

II. THE TEXT AND HISTORY OF THE SPECIAL REMEDIES PROVISION PRECLUDE COURTS FROM INDULGING IN APPORTIONMENT ANALYSIS 7

A. Because Utility Patent Remedy Rules Appeared to Be Unworkable for Design Patents, Congress Passed a Special Remedy Provision that Drew on British Design Registration Law 9

1. The Dobson *Cases Showed that Applying Utility Patent Rules to Design Patents Would Routinely Result in Only Nominal Monetary Awards for Design Patent Infringement* 9

TABLE OF CONTENTS – Continued

Page

2. Congress Rejected the Approach of the Dobson *Cases, and Passed a Special Remedies Provision that Prohibited Apportionment and Established a Mandatory Minimum Award* 14

B. The Special Remedies Provision's "Total Profit" Language Precludes Apportionment 16

1. The Term "Total" is Clear on its Face 16

2. The Legislative Record Confirms that "Total" Precludes Apportionment 18

3. The Case Law Confirms that Apportionment is Forbidden 21

C. The Phrase "Article of Manufacture" Does Not Authorize a Back-Door, Quasi-Apportionment Analysis 26

D. Amendments to the Special Remedies Provision Introduced in 1952 Provide No Basis for Interjecting an Apportionment Analysis 28

III. POLICY ARGUMENTS SECOND-GUESSING THE WISDOM OF THE SPECIAL REMEDIES PROVISION MUST BE LEFT FOR CONGRESS 30

CONCLUSION 33

APPENDIX ..... App. 1

TABLE OF AUTHORITIES

Page

CASES

Bergstrom v. Sears, Roebuck & Co., 496 F. Supp. 476 (D. Minn. 1980) 25

Bonito Boats, Inc. v. Thunder Craft Boats, Inc., 489 U.S. 141 (1989) 5

Braun Inc. v. Dynamics Corp., 975 F.2d 815 (Fed. Cir. 1992) 6

Bush & Lane Piano Co. v. Becker Bros., 222 F. 902 (2d Cir. 1915) 23, 24

Bush & Lane Piano Co. v. Becker Bros., 234 F. 79 (2d Cir. 1916) 23, 24

Catalina Lighting, Inc. v. Lamps Plus, Inc., 295 F.3d 1277 (Fed. Cir. 2002) 6

Dobson v. Dornan, 118 U.S. 10 (1886) ..... *passim*

Dobson v. Hartford Carpet Co., 114 U.S. 439 (1885) ..... *passim*

Elwood v. Christy, 144 Eng. Rep. 537 (1865) 16

Garretson v. Clark, 10 F. Cas. 40 (C.C.N.D.N.Y. 1878) 11

Garretson v. Clark, 111 U.S. 120 (1884) 11, 17

Gorham Co. v. White, 81 U.S. 511 (1872) 4

Halo Elecs., Inc. v. Pulse Elecs., Inc., 136 S.Ct. 1923 (2016) 6

Henry Hanger & Display Fixture Corp. of Am. v. Sel-o-Rak Corp., 270 F.2d 635 (5th Cir. 1959) 26

In re Schnell, 46 F.2d 203 (C.C.P.A. 1931) 5

TABLE OF AUTHORITIES – Continued

Page

Mazer v. Stein, 347 U.S. 201 (1954) 33

Nike, Inc. v. Wal-Mart Stores, Inc., 138 F.3d 1437 (Fed. Cir. 1998) 25

Schnadig Corp. v. Gaines Mfg. Co., Inc., 620 F.2d 1166 (6th Cir. 1980) 26

Seymour v. McCormick, 2 Blatch. 240 (C.C.N.D.N.Y. 1851) 11

Seymour v. McCormick, 57 U.S. 480 (1853) 10

Star Athletica, LLC v. Varsity Brands, Inc., No. 15-866 33

Untermeyer v. Freund, 50 F. 77 (C.C.S.D.N.Y. 1892) 21, 31

Untermeyer v. Freund, 58 F. 205 (2d Cir. 1893) 22, 24

Wal-Mart Stores, Inc. v. Samara Bros., 529 U.S. 205 (2000) 32

Young v. Grand Rapids Refrigerator Co., 268 F. 966 (6th Cir. 1920) 24, 25

STATUTES

15 U.S.C. § 1117 6

17 U.S.C. § 101 33

17 U.S.C. § 504 6

35 U.S.C. § 101 5

35 U.S.C. § 171 5

TABLE OF AUTHORITIES – Continued

Page

35 U.S.C. § 284 6

35 U.S.C. § 289 ..... *passim*

Act of Aug. 29, 1842, ch. 263, 5 Stat. 543 4

Act of Feb. 18, 1922, ch. 58, 42 Stat. 389 10

Act of Feb. 4, 1887, ch. 105, 24 Stat. 387 ..... *passim*

Act of July 8, 1870, ch. 230, 16 Stat. 198 ..... 9, 10, 16

An Act to Consolidate & Amend the Laws Relating to the Copyright of Designs for Ornamenting Articles of Manufacture, 1842, 5 & 6 Vict., c. 100 (Eng.) 15

Patents, Designs, & Trade Marks Act, 1883, 46 & 47 Vict., c. 57 (Eng.) 15

OTHER AUTHORITIES

18 CONG. REC. 834 (1887) 20, 21

3 WILLIAM ROBINSON, THE LAW OF PATENTS FOR USEFUL INVENTIONS § 1155 (1890) 10

Christopher Beauchamp, *The First Patent Litigation Explosion*, 125 YALE L.J. 848 (2016) 16

Frederic H. Betts, *Some Questions Under the Design Patent Act of 1887*, 1 YALE L.J. 181 (1892) 22, 23

H. REP. NO. 49-1966 (1886) ..... *passim*

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TABLE OF AUTHORITIES – Continued

Page

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Patent Law Codification & Revision: Hearings on H.R. 3760 Before Subcomm. No. 3 of the Comm. on the Judiciary, 82nd Cong., 1st Sess. 109-10 (1951) 29

S. REP. NO. 49-206 (1886) 12, 13, 14, 18

WILLIAM D. SHOEMAKER, PATENTS FOR DESIGNS (1929) 14, 22

INTEREST OF THE *AMICI CURIAE*

Amici are intellectual property law professors.[1] We have no personal interest in the outcome of this case. We have a professional interest in the sound development and administration of patent law, particularly design patent law. Institutional affiliations are given for identification purposes only. No one other than the undersigned wrote or funded any portion of this brief. Both parties have consented to the filing of this brief.

SUMMARY OF THE ARGUMENT

The argument in this case for engrafting an apportionment limitation onto the design patent remedies provision (35 U.S.C. § 289) turns on the proposition that utility patent rules on remedies necessarily also work well for design patents. That proposition is flawed. It is inconsistent with the orientation of the design system, as the history of the origin and evolution of that system demonstrates. Moreover, the very existence of a special remedies provision for designs suggests that Congress recognized the need for a rule that diverged from general utility patent law.

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[1] No counsel for a party authored this brief in whole or in part, and no counsel or party made a monetary contribution intended to fund the preparation or submission of this brief. No person other than *amici curiae*, its members, or its counsel made a monetary contribution to its preparation or submission. The parties have consented to the filing of this brief.

The history and text of the special remedies provision confirm as much. Before the provision existed, design patents were subject to the general utility patent remedies provisions. Decisions of this Court in the *Dobson* cases exposed significant problems with that arrangement: there was no fixed statutory minimum monetary award, and, when apportionment of profits or damages was required, proving the amount was perceived to be impossible. Congress responded by turning to British design registration law, which permitted registrants to seek either a fixed statutory award or an alternative monetary remedy.

Whereas the British provision specified that the alternative monetary remedy was in the form of "damages," Congress changed the language to provide that American design patent holders could recover the "total profit" made on the sale of "any" article of manufacture bearing the design. The term "total" precludes apportionment. The legislative history and case law overwhelmingly adopt this view. In addition, the term "any" forecloses the argument that a quasi-apportionment restriction could be interjected into the statute by an analysis that redefines and subdivides the article of manufacture. Finally, there is no evidence that Congress introduced an apportionment requirement *sub silentio* when it recodified the patent statute in 1952.

In sum, the arguments for apportionment presented in this case are assertions of legislative policy rather than exercises in statutory construction. They are arguments either that Congress was unwise to

pass the special remedies provision initially, or that changed circumstances demand a different rule today. Whatever the merits of those policy arguments, they are matters for Congress, and this Court should rule accordingly.

ARGUMENT

I. THE DESIGN PATENT SYSTEM'S SPECIAL REMEDIES PROVISION REFLECTS INFLUENCES BOTH INTERNAL AND EXTERNAL TO PATENT LAW, AND MUST BE CONSTRUED ACCORDINGLY.

The design patent system is a study in eclecticism. It is nominally a patent system, but it draws on concepts from other areas of intellectual property law, such as copyright and trademark. It is crucial to recognize this in order to construe the design patent remedies provision at issue in the present case, 35 U.S.C. § 289. The Court should reject any proposed constructions that demand that the rules for utility patent remedies must animate design patent remedies under Section 289.

The original design patent legislation enacted in 1842 was stitched together from elements of British copyright and design registration law, combined with principles of American patent law. *See* JASON J. DU MONT & MARK D. JANIS, *The Origins of American Design Patent Protection*, 88 IND. L.J. 837 (2013). The Court's first major design patent decision borrowed

concepts from trademark and copyright law to craft a test for design patent infringement that still governs today. *Gorham Co. v. White*, 81 U.S. 511, 528 (1872). The goal of the system, as articulated in that same case, is "to give encouragement to the decorative arts," which simultaneously evokes aspirations of both the patent and copyright systems. *Id.* at 524.

Likewise, from its inception, the design patent system has protected diverse categories of subject matter. The 1842 Act extended protection to product shapes and ornamentation, but also to patterns, prints, and pictures, and even designs for busts and statues. *See* Act of Aug. 29, 1842, ch. 263, § 3, 5 Stat. 543. Over the years, many designs that have fallen within the ambit of the design patent system have originated from industrial endeavors and thus may seem kin to the technological subject matter of utility patents.

Jordan Mott
Design for a Stove[2]

Thomas Edison
Design for an Incandescent Electric Lamp[3]

Cornelius Vanderbilt
Design for a Locomotive-Tender Body[4]

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[2] U.S. Patent No. D17 (issued Feb. 12, 1844). Jordan Mott and a group of manufacturers and mechanics played a critical role in the design patent act's passage in 1842. DU MONT & JANIS, *The Origins of American Design Patent Protection*, *supra*, at 856.

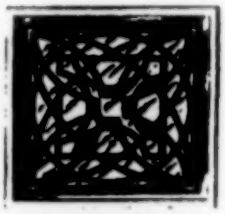
[3] U.S. Patent No. D12,631 (issued Dec. 27, 1881).

[4] U.S. Patent No. D34,765 fig.2 (issued Jul. 9, 1901).

Yet many other designs may seem more closely aligned with the visual arts.

Hugh Christie
Design for a Carpet[5]

August Bartholdi
Design for a Bust[6]



Frank Lloyd Wright
Design for a Prism-Light[7]

Unlike utility patents, which protect inventions that fall within the categories defined in 35 U.S.C. § 101, design patents protect ornamental appearance, in the form of surface ornamentation, product shapes, or combinations of the two. 35 U.S.C. § 171 (extending design patent protection to "any new, original and ornamental design for an article of manufacture"); *In re Schnell*, 46 F.2d 203, 209 (C.C.P.A. 1931) (defining categories of design). But in order to receive design patent protection, designs must satisfy many of the patentability criteria applicable to inventions—such as novelty and non-obviousness. *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 148 (1989); 35 U.S.C. § 171(b) (incorporating patentability criteria from utility patent law).

It therefore should come as no surprise that the law of remedies for design patent infringement also

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[5] U.S. Patent No. D10,778 (issued Aug. 13, 1878). Discussed in further detail below, this design patent was at issue in *Dobson v. Hartford Carpet Co.*, 114 U.S. 439, 440 (1885).

[6] U.S. Patent No. D10,893 (issued Nov. 5, 1878).

[7] U.S. Patent No. D27,977 fig.1 (issued Dec. 7, 1897).

embraces patent and non-patent concepts. Design patent holders may seek monetary relief under the remedies provision that applies in utility patent cases (35 U.S.C. § 284), or under the special remedies provision at issue in this case (35 U.S.C. § 289), applicable only in design patent cases. *Catalina Lighting, Inc. v. Lamps Plus, Inc.*, 295 F.3d 1277, 1290 (Fed. Cir. 2002). The utility patent remedy provision calls for courts to award the prevailing patentee damages that are "no less than a reasonable royalty," and offers courts discretion to increase the award up to three times. 35 U.S.C. § 284; *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 136 S.Ct. 1923, 1932 (2016). The special remedies provision for design patent matters authorizes courts to award prevailing design patentees either (1) a fixed statutory award of $250, or (2) the infringer's "total profit" made from the infringement, which may not be trebled. 35 U.S.C. § 289; *Braun Inc. v. Dynamics Corp.*, 975 F.2d 815, 824 (Fed. Cir. 1992) (holding that a profits award under § 289 cannot be trebled). Section 289's two-pronged structure more resembles the structure of the modern copyright and trademark remedies provisions than the utility patent provisions, although its "total profit" language does not appear in those provisions. *See* 17 U.S.C. §§ 504(b)-(c) (for copyright infringement, authorizing statutory damages of "not less than $750 or more than $30,000" for all infringements with respect to any one work, or an alternative monetary remedy); 15 U.S.C. §§ 1117(a)-(b) (for trademark counterfeiting, authorizing an award of profits and damages, or "not less than $1,000 or more than $200,000 per counterfeit mark per type of goods or services. . ").

As the foregoing illustrates, any argument that the Court must confine itself strictly to utility patent jurisprudence when adjudicating a design patent matter, transplanting legal tests *ipsissimis verbis* from one to the other, should be rejected. Yet that is the underlying logic of the apportionment argument in this case: that a rule of apportioning monetary remedies must be suitable for design patents because courts have deemed it comprehensible when applied to patentable improvements for multi-component mechanical inventions under utility patent law. That logic would be dubious even if design patent remedies were governed only by the general utility patent remedy provisions. But it collapses entirely in the face of the modern statute, which diverges from utility patent law via Section 289.

II. THE TEXT AND HISTORY OF THE SPECIAL REMEDIES PROVISION PRECLUDE COURTS FROM INDULGING IN APPORTIONMENT ANALYSIS.

An analysis of the text and history of the special remedies provision confirms that the apportionment argument in this case must be rejected. Section 289 provides that:

> Whoever during the term of a patent for a design, without license of the owner, (1) applies the patented design, or any colorable imitation thereof, to any article of manufacture for the purpose of sale, or (2) sells or exposes for sale any article of manufacture to which such

> design or colorable imitation has been applied shall be liable to the owner to the extent of his *total profit*, but not less than $250, recoverable in any United States district court having jurisdiction of the parties.
>
> Nothing in this section shall prevent, lessen, or impeach any other remedy which an owner of an infringed patent has under the provisions of this title, but he shall not twice recover the profit made from the infringement.

35 U.S.C. § 289 (emphasis added). The provision traces back to 1887. Act of Feb. 4, 1887, ch. 105, § 1, 24 Stat. 387. Congress passed it in response to the Court's decisions in *Dobson v. Hartford Carpet Co.*, 114 U.S. 439 (1885), and *Dobson v. Dornan*, 118 U.S. 10 (1886), which had borrowed the apportionment rule from utility patent law and applied it for the first time to design patents.

In the present case, the Court is being asked to reinstitute the apportionment rule from the *Dobson* cases. Although presented as a straightforward statutory interpretation exercise, the effort is in fact an impermissible derogation from Section 289's text and history. Both are clear, even if not pristine. Apportionment is foreclosed.

A. Because Utility Patent Remedy Rules Appeared to Be Unworkable for Design Patents, Congress Passed a Special Remedy Provision that Drew on British Design Registration Law.

1. The Dobson *Cases Showed that Applying Utility Patent Rules to Design Patents Would Routinely Result in Only Nominal Monetary Awards for Design Patent Infringement.*

The problem that impelled Congress to take up special remedies legislation for design patent infringement was two-fold: the patent statute lacked any mandatory floor for monetary recovery, and the courts had begun to apply an apportionment rule to claims for monetary recovery in patent infringement cases. JASON J. DU MONT & MARK D. JANIS, AMERICAN DESIGN PATENT LAW: A LEGAL HISTORY (2016).[8] The 1870 Act authorized courts to award prevailing patentees actual damages in cases at law, or the infringer's profits, along with any additional actual damages, in equity cases. Act of July 8, 1870, ch. 230, §§ 55, 59, 16 Stat. 198. From the patent owner's perspective, the actual damages remedy was important, even in equity cases, because there was a belief that many infringers were willing to accept minimal profits in order to undersell

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[8] The chapter on design patent remedies is freely available from SSRN. JASON J. DU MONT & MARK D. JANIS, AMERICAN DESIGN PATENT LAW: A LEGAL HISTORY, CH. 6—DESIGN PATENT REMEDIES 29 (May 26, 2016), http://ssrn.com/abstract=2784746 (hereinafter "DU MONT & JANIS, AMERICAN DESIGN PATENT LAW").

the patentee. In calculating actual damages both in law and in equity, courts preferred evidence of established royalties from actual licenses, although they sometimes accepted evidence of the patent holder's probable lost profits. 3 WILLIAM ROBINSON, THE LAW OF PATENTS FOR USEFUL INVENTIONS § 1155 (1890). However, there was no fallback position; the modern "reasonable royalty" floor for damages did not then exist, nor did any other rule of minimum recovery until 1922. *See* Act of Feb. 18, 1922, ch. 58, § 8, 42 Stat. 389 (requiring a minimum award of a "reasonable sum"). As a consequence, even in cases of willful infringement, patentees stood at some risk of recovering nothing more than nominal damages in the traditional amount of six cents. DU MONT & JANIS, AMERICAN DESIGN PATENT LAW, *supra* note 8, at 10.

For design patent holders, that risk was magnified substantially when the Court subjected monetary claims in design patent cases to an apportionment requirement. *See Dobson v. Hartford Carpet Co.*, 114 U.S. at 445. Although the 1870 Act included no rule requiring apportionment either in law or in equity matters, courts had discussed the concept in a handful of utility patent cases. Typically, these cases involved multi-component mechanical inventions in which the patentable improvement resided in a physically discrete, readily-identifiable component—such as an improved seat on McCormick's famous reaping machine. *Seymour v. McCormick*, 57 U.S. 480, 490-91 (1853). Subdividing damages (or profits) claims to identify the portion attributable to the improvement may have

seemed plausible on those facts. But in *Garretson v. Clark*, 111 U.S. 120, 121 (1884), another case involving a mechanical improvement, the Court appeared to suggest that apportionment be transformed into a general principle of patent damages. The opinion adopted almost verbatim the circuit court opinion in the case. *Garretson v. Clark*, 10 F. Cas. 40 (C.C.N.D.N.Y. 1878). But this was not surprising, since the author of the circuit court opinion—now Justice Samuel Blatchford—was appointed to the Supreme Court by the time *Garretson* reached that stage.[9]

Soon after *Garretson*, the Court extended the apportionment rule to design patents in the *Dobson* cases. *See* DU MONT & JANIS, AMERICAN DESIGN PATENT LAW, *supra* note 8, at 11-30 (analyzing the record of the *Dobson* cases). In *Dobson v. Hartford Carpet Co.*, three consolidated cases brought in equity, the lower court had approved damages awards totaling nearly $3,000, based on an estimate of the patentee's lost profits on sales allegedly lost as a result of the infringing carpet designs.[10] The Court reversed, vacating the award and instructing the lower court to award six cents in each case as nominal damages. *Id.* at 447. In *Dobson v. Dornan*, which presented similar facts, the Court likewise reversed a $6,000 damages judgment and substituted six cents nominal damages. 118 U.S. at 16-17.

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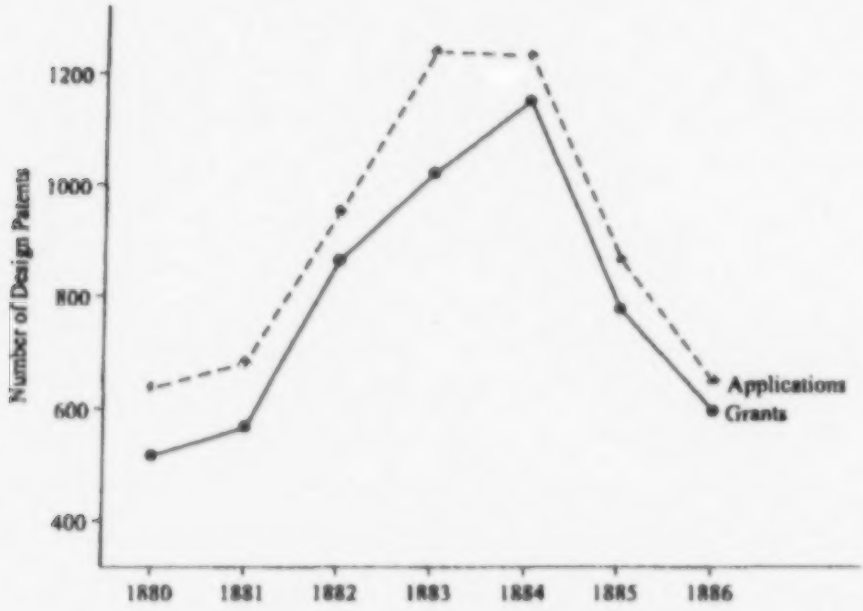
[9] Blatchford had reason to be familiar with the apportionment rule. He represented the patentee in *Seymour v. McCormick*, 2 Blatch. 240 (C.C.N.D.N.Y. 1851).

[10] 114 U.S. at 441-43. An image from one of the design patents at issue in this case is included above in Part I.

Justice Blatchford wrote the opinions in both *Dobson* cases. He insisted that the apportionment rule should be "even more applicable" to design patents than to utility patents, because design was a mere matter of "evanescent caprice." *Dobson v. Hartford Carpet Co.*, 114 U.S. at 445. According to Justice Blatchford, consumers purchased goods primarily because of the "intrinsic merits of quality and structure" of the article in which the design was embodied, not because of the aesthetic appeal of the design. *Id.* Therefore, he reasoned, a design patent holder seeking the infringer's "entire profit" should be required to prove that the profits were solely attributable to the design. *Id.* at 445-46. Because the carpet design patent holders had failed to do so, they were entitled only to nominal damages. *Id.* at 445-46. Justice Blatchford reiterated this reasoning in *Dobson v. Dornan*, 118 U.S. at 16-17

Within months of the first *Dobson* decision, Congress took up proposals for a special remedies provision for design patents. DU MONT & JANIS, AMERICAN DESIGN PATENT LAW, *supra* note 8, at 30-31. The House and Senate reports maintained that the *Dobson* cases presented an "emergency" that threatened to "virtually repeal the design patent laws" and to undermine the "rapid growth" in the American design profession that the design patent laws had fostered. S. REP. NO. 49-206, at 1 (1886); H.R. REP. NO. 49-1966, at 1 (1886). In the wake of the *Dobson* cases, design patent issuances had fallen by fifty percent, the reports asserted. *See, e.g.*, S. REP. NO. 49-206, at 1. As shown in the graph

below, our own empirical work provides some evidence for this observation.



DU MONT & JANIS, AMERICAN DESIGN PATENT LAW, *supra* note 8, at 34 (noting that the decline began while the *Dobson* cases were still pending at the Supreme Court). According to the Senate report, all of this was the "practical result" of the *Dobson* cases, which had signaled that "that the design patent laws provide no remedy for a consummated infringement." S. REP NO. 49-206, at 1. They provided no remedy due to the coupling of the apportionment requirement with a remedies provision that lacked any statutory minimum award.

2. *Congress Rejected the Approach of the* Dobson *Cases, and Passed a Special Remedies Provision that Prohibited Apportionment and Established a Mandatory Minimum Award.*

Recognizing that the problem was two-fold, Congress crafted a two-fold solution: a special remedies provision for design patents that rejected the *Dobson* cases, establishing instead (1) a minimum monetary award for instances of design patent infringement and (2) an alternative award of disgorgement of the infringer's total profits on products bearing the infringing design. Congress made explicit that it was creating "a new rule of recovery" that accounted for the "peculiar character" of designs, dispensing with the assumption that designs were matters of mere triviality that could be treated even more harshly than minor mechanical improvement inventions. S. REP. NO. 49-206, at 2; H. REP. NO. 49-1966, at 2. The rules that governed monetary remedies for inventions should be "inapplicable to designs," the reports specified. S. REP. NO. 49-206, at 2; H. REP. NO. 49-1966, at 2.

Accordingly, in drafting the special remedies provision, Congress departed from the utility patent orientation of the *Dobson* cases, borrowing instead from a more relevant source: British design registration law. S. REP. NO. 49-206, at 1-2 (criticizing the *Dobson* cases and comparing the legislation to the "English statute"); WILLIAM D. SHOEMAKER, PATENTS FOR DESIGNS 339 (1929) (noting that the 1887 Act responded to the "harsh rule in the *Dobson* cases"). For over forty years,

the British registration regime had provided that infringers would be liable to the registrant for "a sum not less than five pounds and not exceeding thirty pounds," for every offense, or for "any damages which [the registrant] shall have sustained." An Act to Consolidate & Amend the Laws Relating to the Copyright of Designs for Ornamenting Articles of Manufacture, 1842, 5 & 6 Vict., c. 100, §§ VII-IX (Eng.), *reprinted in* DU MONT & JANIS, AMERICAN DESIGN PATENT LAW, *supra* note 8, at App. A; *see also* Patents, Designs, & Trade Marks Act, 1883, 46 & 47 Vict., c. 57, § 58 (Eng.) (awarding either "a sum not exceeding fifty pounds" for every offense, or "any damages").

The U.S. legislation borrowed heavily from the British design registration provision. DU MONT & JANIS, AMERICAN DESIGN PATENT LAW, *supra* note 8, at 31-32 (comparing Congress's initial proposal with British law). It borrowed the concept of a two-pronged framework consisting of (1) a statutory award coupled with (2) an alternative award reflecting actual losses. It even borrowed the statutory amount (fifty pounds being roughly equivalent to $250 at the time).

Indeed, because Congress copied so much from the British provision, it is all the more self-evident that the few changes Congress did make were meant to be significant. Regarding the first prong, Congress substituted a statutory minimum, seeking to make awards under this prong high enough to "command for the design patent laws a respect which is the patentee's

greatest protection." H. REP. NO. 49-1966, at 3.[11] Regarding the second prong, the U.S. legislation deleted "damages" and substituted "profit," an important clarification given that the distinction between profits and damages was enshrined in the 1870 Act for patent cases brought in equity, and equity was the preferred forum for U.S. patent cases at the time. Christopher Beauchamp, *The First Patent Litigation Explosion*, 125 YALE L.J. 848, 912 (2016). What is most striking, however, is that Congress also inserted the modifier "total" before "profit," language that did not appear in the British legislation but was central to the legislative solution that Congress sought to craft.[12]

B. The Special Remedies Provision's "Total Profit" Language Precludes Apportionment.

1. The Term "Total" is Clear on its Face.

In drafting a provision to achieve its objective of overturning the *Dobson* cases, Congress could hardly

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[11] *See also id.* ("The amount prescribed seems to be the average amount that will work substantial justice in the long run, taking into account all trades and industries that are likely to avail themselves of the design patent laws.").

[12] Petitioner asserts that the 1887 Act was modeled on British "patent-infringement statutes," and cites *Elwood v. Christy*, 144 Eng. Rep. 537 (1865), for the proposition that British law incorporated a "causation principle" that must have carried into the 1887 Act. Pet. Br. at 40. But the 1887 Act was based on British *design registration* provisions, not British utility patent provisions. And *Elwood* was not a design registration case; it was a utility patent case.

have been clearer: design patent holders were entitled to seek the infringer's "total" profits on sales of the infringing articles. "Total" means total. The *Dobson* opinions had differentiated between apportioned and "entire" profits, choosing apportioned profits. Congress expressly rejected the *Dobson* opinions and chose an award of "total" profits.

Moreover, the only plausible explanation for Congress to inject the modifier "total" was to make clear that it was disavowing apportionment. Had Congress intended otherwise—had it intended to preserve even an option for infringers to argue apportionment—it had a multitude of simple expedients at its disposal, none of which it used. For example, had Congress sought to add a statutory minimum as one option for design patent holders and apportioned profits as the other, it could have simply passed the $250 rule alone. Or, in an abundance of caution, it could have passed the $250 rule and noted that design patent holders retained the alternative of seeking "profits" (or damages) under the existing utility patent remedy provisions (which required apportionment according to *Garretson*, 111 U.S. at 292). Or it could have passed the $250 rule and expressly noted that design patent holders retained the alternative of seeking "profits" (or damages) subject to the *Dobson* apportionment limitation. Instead, it passed the $250 rule and a "total" profits alternative.

2. *The Legislative Record Confirms that "Total" Precludes Apportionment.*

The House and Senate reports confirm, repeatedly, that "total" must be interpreted to foreclose apportionment. According to the Senate, in the context of designs, proof of apportionment realistically could "never be furnished":

> The Supreme Court [in *Dobson*] held that the complainant must clearly prove what part of his own damage or what part of defendant's whole profit on the article made and sold was directly due to the *appearance* of those articles as distinguished from their material, their fabric, their utility, etc. It has been abundantly shown to your committee, even if any such showing were necessary, that the proof thus called for can never be furnished.

S. REP. NO. 49-206, at 1-2 (emphasis in original). The House report explains that the legislation therefore adopts a total profits rule:

> It is expedient that the infringer's entire profit on the article should be recoverable, as otherwise none of his profit can be recovered, for it is not apportionable; and by the patentee, for it is the design that sells the article, and so that makes it possible to realize any profit at all.

H. REP. NO. 49-1966, at 3. The House report further elaborated that under the legislation, the design patent holder is entitled to "all the profit the infringer made on the goods marked," and that "[t]he patentee

recovers the profit actually made on the infringing article if he can prove that profit, that is, what the infringer realized from the infringing articles minus what they cost him. " *Id.*

As these passages make plain, Congress saw the debate over the profits rule as presenting a stark choice between all or nothing. That is, it saw a choice between two default propositions: prevailing design patent holders are permitted by default to collect all profits (because designs should be assumed to "sell the article") or no profits (because designs should be assumed to be nothing more than a matter of evanescent caprice). H. REP. NO. 49-1966, at 3. Congress defaulted to the former.

It necessarily follows that Congress did not intend for courts to make individualized inquiries as to whether the design in fact "sold the article" at issue, because it assumed that such evidence would be so difficult to provide that design patent holders would invariably fail. Nor did Congress leave room for courts to import extraneous restrictions drawn from background principles of causation, for the same reason: it was defaulting to an award of "the entire profit on the article." A case-by-case inquiry, whether framed expressly as "apportionment" or more subtly as "causation," would frustrate Congress' purpose.

It would also be wrong to assume that Congress naively enacted an excessively generous rule while lacking any real understanding as to how it might operate. Congress was apparently well aware that its

rule for design patents was more generous than the available utility patent infringement remedy, but still saw it as a measured approach that was less generous than the profits remedy available at the time under copyright law. *See, e.g.*, H. REP. NO. 49-1966, at 3 ("The copyright law goes far beyond this, for there the capital and labor are forfeited . " in addition to the recovery of other damages.). And, of course, the notion of an equitable accounting of defendant's profits had long been familiar in courts of equity. *See* Joel Eichnegrun, *Remedying the Remedy of Accounting*, 60 IND. L.J. 463, 463-67 (1985) (tracing the historical origins of the accounting remedy).

Finally, it would be erroneous to assume that the legislative record must be pristine in order to foreclose an apportionment argument. As demonstrated above, the House and Senate reports, which make up the bulk of the legislative history, are definitive in their rejection of an apportionment requirement. The remaining component of the legislative history, the House floor debate, is muddled. For example, Representative Martin, after stating that the House Report "is a very elaborate one, covering all the points, and . . it leaves very little to be said," 18 CONG. REC. 834 (1887), unfortunately did proceed to say more—contradicting the House Report by suggesting, in response to a question, that the bill included an apportionment requirement. *Id.* at 835. This response baffled those present in the chamber, who wondered why new legislation was necessary if the existing apportionment rule was being retained. *Id.* at 836. After further questioning, Martin

eventually corrected himself, acknowledging that the bill provided the design patent holder with the prospect of recovering the infringer's profits in the amount of "the total earnings of the business from that source." *Id.*

In sum, the legislative record confirms, with force, that "total" in fact means total. Confused comments on the House floor cannot be read to change the overwhelming import of the legislative record taken as a whole. If anything, the House floor debate proves only that Representative Martin was surely correct when he conceded: "I do not pretend to be as familiar with the language employed about patents as, perhaps, I ought to be. . . " 18 CONG. REC. at 835.

3. The Case Law Confirms that Apportionment is Forbidden.

Case law extending back for well over a century likewise confirms that the phrase "total profits" forecloses the apportioning of profits. In *Untermeyer v. Freund*, 50 F. 77, 79-80 (C.C.S.D.N.Y. 1892)—the first major litigation over the total profits rule—the trial court refused to apply an apportionment analysis to the following watch case design.

Henry Untermeyer
Design for a Watch-Case[13]

After quoting the "total profits" language from the 1887 Act, the court concluded that "[n]othing can be plainer than this. It is the profit on the sale of the article for which the infringer must account, and not alone the profit which can be demonstrated as due to the design." *Id.* at 79.

The Second Circuit agreed, stating that "[t]he rule which congress declared for the computation of profits was the total profit from the manufacture or sale of the article to which the design was applied, as distinguished from the preexisting rule of the profit which could be proved to be attributable to the design." *Untermeyer v. Freund*, 58 F. 205, 212 (2d Cir. 1893); *see also* SHOEMAKER, *supra*, at 339 (agreeing with this construction of the 1887 Act). Even the infringer's lawyer conceded (in a law review article written at the time of the litigation) that the "letter" of the statute called for an award of profits "whether those profits are due to the design or not." Frederic H. Betts, *Some Questions Under the Design Patent Act of 1887*, 1 YALE L.J. 181,

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[13] U.S. Patent No. D15,121 fig.1 (issued Jul. 1, 1884).

188 (1892). Betts unsuccessfully attempted to persuade the court to rely on the "spirit" of the provision, as he saw it. *Id.* at 190.

The only cases cited for a contrary interpretation of the 1887 Act shed no light on the question before the Court in the present case. Proponents of apportionment urge the Court to rely on the *Piano* cases, *Bush & Lane Piano Co. v. Becker Bros.*, 222 F. 902 (2d Cir. 1915) (hereinafter "*Piano I*") and *Bush & Lane Piano Co. v. Becker Bros.*, 234 F. 79 (2d Cir. 1916) (hereinafter "*Piano II*"), which involved a design for a piano case as shown below.

Walter Lane
Design for a Piano-Case[14]

But the record in the cases is muddled. In *Piano I*, the Second Circuit decided 2-1 to award the design patent holder a monetary remedy based on sales of the entire piano case. The majority's remedy calculation evidently was based on the view that there was a market for piano cases separate from the market for finished pianos. *Piano I*, 222 F. at 904 (asserting that the piano

[14] U.S. Patent No. D37,501 (issued Jul. 25, 1905).

case "may be and is sold separate and apart from the music-making apparatus"). But the majority left unclear its views on whether the infringer in fact was selling finished pianos, and, if so, whether that fact was relevant to the calculation.

On appeal after remand, a 2-1 majority in *Piano II* again awarded a remedy based on sales of the piano case. This time the court declared that *Piano I* had been incorrect in suggesting that there was a separate market for piano cases—but it struggled to explain why the remedy should be based on the piano case alone if, in fact, the infringer was selling finished pianos, especially given that *Untermeyer* had prohibited apportionment and was binding. Indeed, Judge Ward, the dissenter in both *Piano I* and *Piano II*, appeared to believe that the infringer was selling finished pianos, and reasoned that the remedy should be based on the finished pianos. *Piano II*, 234 F. at 84-85 (Ward, J., dissenting).

The lessons from *Piano I* and *II* are straightforward but unhelpful to the proponents of the apportionment argument in this case. If the infringer was selling piano cases, then the remedy was correctly based on piano cases and any discussion of apportionment in the majority opinions in either *Piano I* or *II* was gratuitous. If the infringer was selling finished pianos, the cases were wrongly decided for the reasons enunciated by Judge Ward. That is the only extent to which *Piano I* and *II* should inform the modern Section 289 inquiry.

Young v. Grand Rapids Refrigerator Co., 268 F. 966 (6th Cir. 1920), is even less illuminating. There, the court declined to overturn the lower court's award of the $250 fixed statutory remedy in a case involving the design for a refrigerator latch depicted below.

Leonard Young

Design for a Latch-Case[15]

It is questionable whether the patentee made any serious attempt to request total profits under the special remedies provision at all. *Id.* at 974 (observing that "it is not seriously contended that all the profits from the refrigerator belonged to [the patent holder]"). Regardless, the court devoted virtually no discussion to the apportionment issue.

In any event, modern courts applying Section 289 of the 1952 Act have uniformly declined to apportion profits. *Nike, Inc. v. Wal-Mart Stores, Inc.*, 138 F.3d 1437, 1441 (Fed. Cir. 1998) (observing that Congress "removed the apportionment requirement" when enacting the predecessor to Section 289); *Bergstrom v. Sears, Roebuck & Co.*, 496 F. Supp. 476, 495 (D. Minn. 1980) (asserting that "[t]he very language used in the statute, 'total profit,' undermines the defendants' [apportionment] arguments, as it is unlikely that Congress would have used such all encompassing language if it intended that a design patentee could only

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[15] U.S. Patent No. D48,958 fig.1 (issued Apr. 25, 1916).

recover profits attributable solely to the design or ornamental qualities of the patented article."); *see also Schnadig Corp. v. Gaines Mfg. Co., Inc.*, 620 F.2d 1166, 1171 (6th Cir. 1980) (awarding infringer's total profits under Section 289 without mention of apportionment); *Henry Hanger & Display Fixture Corp. of Am. v. Sel-o-Rak Corp.*, 270 F.2d 635, 642-44 (5th Cir. 1959) (same). As demonstrated, these decisions are well-grounded in the text and history of the special remedies provision.

C. The Phrase "Article of Manufacture" Does Not Authorize a Back-Door, Quasi-Apportionment Analysis.

The Solicitor General has suggested that even though the language "total" plainly forbids apportionment, Congress nonetheless left courts free to achieve the equivalent result by redefining the "article of manufacture" to which the infringing design has been applied. Solic. Gen. Br. 25. This task would entail a "case-specific examination of the relationship among the design, any relevant components, and the product as a whole," effectuated through use of a multi-factor test. *Id.* at 27-29.

We take no position as to whether this issue was preserved, but, in any event, the plain language of the statute forecloses the Solicitor General's suggested approach. First, Section 289's article of manufacture is the *infringer's* product, not the patentee's. Second, Section 289 makes clear that while the infringer's *design* must be at least a colorable imitation of the patented

design, the infringer's *product* may be *anything* that bears the design. That is, Section 289 specifies that liability follows when an infringing manufacturer applies a patented design to "*any* article of manufacture," or when an infringing retailer sells "*any* article of manufacture" to which an infringing design has been applied. There is no basis in the statute for using the patent holder's article identified in the design patent as a critical factor that confines the Section 289 profits calculation to something less than what the infringer actually sold.

In addition, the Solicitor General's proposal should be rejected because it places Section 289's respective clauses at war with one another. To accept the proposal, one would have to accept that Congress slammed the door on apportionment by using the term "total," but then simultaneously reopened it through use of the phrase "article of manufacture," permitting courts to engage in a case-by-case apportionment analysis under a new name. But the history of the special remedies provisions shows that Congress adopted the total profits rule as a default rule. And, whether intended or not, the Solicitor General's proffered factors analysis invites courts to engage in apportionment analysis. For example, proposed factor two invites fact-finders to "examine the relative prominence of the design within the product as a whole," a formulation that encourages apportionment even if it does not intend to mandate it. *Id.* at 28-29. This factor would be likely to dominate future analysis, considering that other

proposed factors (such as factor three, conceptual separability, and factor four, physical separability) have long created controversy in copyright law and would be equally clumsy in design patent law.

Finally, it is unlikely that the proposed analysis would achieve the stated goal of curbing allegedly disproportionate infringement liability. It is more likely to generate error of its own, given that it would be costly, complex, and unpredictable to apply. It also would be likely to induce design patent drafters to strategically redefine the "article of manufacture" associated with their claimed designs in order to avoid the quasi-apportionment effect of the proposed analysis. This may have additional unintended consequences for aspects of design patent validity analysis, which depend on a coherent notion of the "article."

At bottom, the Solicitor General's proposal is a suggestion for amending the statute, not for construing it. A debate that considers the merits of the proposal alongside concerns such as those raised above might well be worth having. But the forum for such a debate is Congress.

D. Amendments to the Special Remedies Provision Introduced in 1952 Provide No Basis for Interjecting an Apportionment Analysis.

Other attempts to interject apportionment under the guise of interpreting the 1952 Act's language are

not plausible and should not be entertained. For example, the Court is urged to rule that when Congress added the phrase "to the extent of" total profits during the 1952 recodification of the patent laws, it intended to resuscitate *sub silentio* the apportionment rule. The legislative history reflects no such intent. Indeed, it shows that Congress intended no material change to the remedies provision when it added this language. *See Patent Law Codification & Revision: Hearings on H.R. 3760 Before Subcomm. No. 3 of the Comm. on the Judiciary*, 82nd Cong., 1st Sess. 109-10 (1951) (statement of P. J. Federico, U.S. Patent Office) (stating that "the present code merely puts [the subject of design patents] in its place without attempting to make any changes in the statute"). The fact that Congress also did not update the $250 award—despite the fact that it had not been changed in over 65 years after the 1887 Act's passage—surely confirms that it intended no substantive change to the provision.

Some have also attempted to justify interjecting an apportionment requirement by asserting that Congress must have meant to reintroduce the apportionment restriction as a counterweight to its removal of the knowledge requirement in the 1952 recodification. There is no support in the 1952 legislative record for this argument.

More fundamentally, the argument misconstrues (and hence exaggerates) the reach of the knowledge requirement under the 1887 Act. That requirement only applied to sellers under the 1887 Act. Profits liability for manufacturers was always strict liability. DU MONT

& JANIS, AMERICAN DESIGN PATENT LAW, *supra* note 8, at 32.[16] In any event, liability for all infringers, under the 1887 Act and under the 1952 Act, is limited by the patent marking requirement. *Id.* at 52-54 (acknowledging the confusion that this has caused in design patent cases).

III. POLICY ARGUMENTS SECOND-GUESSING THE WISDOM OF THE SPECIAL REMEDIES PROVISION MUST BE LEFT FOR CONGRESS.

Shorn of its statutory interpretation pretenses, the pro-apportionment position in the present case is simply an argument that this Court should substitute its policy judgment for that of Congress. The policy position essentially resolves into two alternative arguments: (1) the total profits rule was flawed when passed because it overcompensates design patent holders; or (2) the rule is at least flawed today, because it produces absurd results when applied to the complex subject matter of modern design patents.

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[16] Petitioner argues that the 1887 Congress considered the knowledge requirement to be a "vital safeguard," citing Representative Butterworth's remarks from the House floor debate. Pet. Br. at 43. But nothing in the House or Senate reports supports such an assertion, and early commentators understood both the British and American knowledge requirements to be a limited safeguard applicable only to dealers. DU MONT & JANIS, AMERICAN DESIGN PATENT LAW, *supra* note 8, at 52 (collecting British and American authority).

The first argument bears no weight because it unabashedly asks this Court to substitute its own policy judgment for that of Congress. The *Untermeyer* court rejected this very maneuver in 1892. Indeed, the words of the *Untermeyer* trial court read as though they had been written in response to the petitioner's argument in the present case:

> There is no ambiguity in the language employed [in the 1887 Act], but it is urged that the court is at liberty to place a construction upon the act which will prevent results thought to be unjust and absurd. . . .
>
> Whether the law is wise or unwise is not a question for the court. Arguments of this character should be addressed to the legislature.

Untermeyer, 50 F. at 79. The court noted that "[s]uppositive cases have been suggested for the purpose of showing how the [1887 Act] may produce unjust results requiring the payment of large profits in no way due to the design," but that the "hardship to the patentee" under the pre-1887 Act apportionment rule was also well-established. *Id.* at 80. It noted that "the precise objection now urged" to the total profits rule "was sharply pointed out in [C]ongress," which nevertheless acted "with full knowledge of the situation *pro* and *con*." *Id.* This Court should adopt the same reasoning.

All that remains is the second argument: that circumstances have changed so profoundly since the late 1880s that the wisdom of Congress' judgment should

be reexamined. However, which circumstances have changed, to what extent, and what to do about it are all matters for Congress.

This is not merely a reflexive homage to judicial restraint; it is a matter of pragmatism. Congress is in the best position to effectuate change to the law of design patent remedies, if change is needed, because only Congress is in a position to assess the full range of changed circumstances, and to rebalance the statute as circumstances may dictate, whether that be through a narrowly-targeted recalibration or a comprehensive overhaul. For example, if consensus emerges that Section 289 should be amended to restrict the conditions under which design patent owners could recover total profits, it would surely also be necessary to consider amending Section 289's statutory damages prong to an amount that would be commercially meaningful in modern litigation. It may also be important to specify how the burden of proof should be allocated in cases in which the design patent owner seeks profits.

Moreover, Congress is also best suited to determine whether and how the rules for design patent remedies should account for the relationship between modern design patent protection and other forms of intellectual property protection, such as trademark and copyright. That relationship has changed significantly since the passage of the 1887 Act, and remains the source of some controversy. *See Wal-Mart Stores, Inc. v. Samara Bros.*, 529 U.S. 205, 214 (2000) (restricting trade dress protection for product designs while noting that design patent protection may be available for designs that have not yet achieved recognition as

source-identifiers); *Mazer v. Stein*, 347 U.S. 201 (1954) (extending copyright protection to some types of designs associated with useful articles despite the potential for design patent protection); *cf.* 17 U.S.C. § 101 (1976) (restricting copyright protection to designs that incorporate features "that can be identified separately from, and are capable of existing independently of, the utilitarian aspects of the article."); *Star Athletica, LLC v. Varsity Brands, Inc.*, No. 15-866 (pending) (disputing the legal test for copyright law's separability analysis).

In sum, whether Section 289 should be retained in the face of complex changing circumstances in the larger economic and legal landscape is a matter for Congress. The undersigned take no position on that question in this case and neither should this Court.

CONCLUSION

For the reasons set forth here, this Court should reject the argument that Section 289 permits apportionment.

Respectfully submitted,

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TABLE OF CONTENTS

Page

Interest of amici curiae 1

Summary of argument 3

Argument 6

I. The Federal Circuit's decision is erroneous and out of step with modern technology 6

A. Modern technological products are highly complex and consist of numerous components and software subsystems 7

B. The text of Section 289 provides for a rule that avoids the harsh consequences of the Federal Circuit's approach 11

C. The context and legislative history of Section 289 confirm that Congress did not intend for the relevant 'article of manufacture' to be a complex, multicomponent device 14

D. The case law interpreting Section 289 further supports petitioners' reading 19

II. Petitioners' interpretation of Section 289 better serves the statute's purpose and the public interest 22

A. A narrow interpretation of 'article of manufacture' better serves the purpose of Section 289 22

B. A narrow interpretation of 'article of manufacture' better serves the public interest 24

Conclusion 29

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Page

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Page

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INTEREST OF AMICI CURIAE

Amici curiae are The Internet Association; The Software & Information Industry Association; Dell Inc.; eBay Inc.; Facebook, Inc.; Garmin International, Inc.; Google Inc.; Hewlett Packard Enterprise Co.; HP Inc.; Lenovo USA; Motorola Mobility LLC; Newegg Inc.;

Pegasystems Inc.; Red Hat, Inc.; SAS Institute Inc.; Varian Medical Systems; and VIZIO, Inc.*

The Internet Association (IA) is a nonprofit trade organization that represents the Nation's leading internet companies and their global community of users. Its members include Amazon, Intuit, Netflix, PayPal, Twitter, Yahoo!, and Yelp, as well as some of the amici companies. IA's mission is to foster innovation, promote economic growth, and empower people through the free and open internet.

The Software & Information Industry Association (SIIA) represents over 700 software companies, data and analytics firms, information service companies, and digital publishers in nearly every segment of society, including business, education, government, health care, and consumers—all of whom use design elements in portions of the products and services that they produce. On behalf of its members, SIIA has been actively involved in advocacy efforts targeted at fostering sound innovation policy by eliminating perverse incentives in the patent system.

The remaining amici are companies that develop, manufacture, and sell modern technological products, including computers, smartphones, operating systems,

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* Pursuant to Rule 37.6, amici affirm that no counsel for a party authored this brief in whole or in part and that no person other than amici or their counsel have made any monetary contributions intended to fund the preparation or submission of this brief. The parties have consented to the filing of this brief, and copies of their letters of consent are on file with the Clerk's Office. Counsel for amici has represented petitioners in other litigation, including litigation against respondent.

and online platforms, as well as the components, software, and services that support them.

This case presents a question of enormous practical importance to amici: namely, whether 35 U.S.C. 289 imposes damages in the amount of the total profit from a complex, multicomponent product when only some of the product's many components infringe a patented design. In the decision below, the Federal Circuit held that sales of the entire device form the appropriate basis for the calculation of total profit. That holding will have significant ramifications for amici, which develop, manufacture, design, and sell complex, multicomponent technological products, as well as for the technology industry more generally. Accordingly, amici have a substantial interest in the question presented here.

SUMMARY OF ARGUMENT

In the decision below, the Federal Circuit upheld a jury's award of the entirety of Samsung's profits on smartphones that were found to have infringed two Apple design patents, even though the design patents were directed only to part of the iPhone's outer shell and a single graphical-user-interface screen. Although the design patents covered only limited portions of those complex electronic devices, the court rejected Samsung's argument that damages must be limited to the profits made from those infringing features. See Pet. App. 27a-29a. The court instead concluded that the relevant statute, 35 U.S.C. 289, "explicitly authorizes the award of total profit from the article of manufacture bearing the patented design," and that the entire smartphone was the relevant "article of manufacture." Pet. App. 28a-29a. The court based its conclusions on the fact that the "innards of Samsung's smartphones were not sold separate-

ly from their shells as distinct articles of manufacture to ordinary purchasers." *Id.* at 29a.

The Federal Circuit's decision is deeply flawed. If allowed to stand, it will lead to absurd results and have a devastating impact on companies, including amici, that spend billions of dollars annually on research and development for complex technological products and their components. As petitioners have explained, the Federal Circuit's decision cannot be reconciled with the text, history, or purpose of Section 289. What is more, the Federal Circuit's decision is problematic because it ignores the reality of modern, multicomponent technological products. Those complex products, which have become the norm throughout the consumer electronics industry, are not purchased primarily for the design of one or more isolated components.

To the contrary, consumers frequently consider the purchase of a multicomponent technological product as, in effect, the purchase of several individual components based on their functional qualities. For example, customers may purchase an iPhone in part because they prefer the quality of its camera, or because they know that they can synchronize it with other Apple products, or because they wish to use certain available software—not simply because of the design of the iPhone's rectangular front face with rounded corners. That is why technology companies apply their research and development budgets to numerous aspects of a multicomponent product, including its hardware, software, and services, and not just its design.

Section 289 does not compel the adoption of a rule that ignores these realities. The text of Section 289 itself contemplates a more sensible approach to calculating "total profit." It states that the relevant "article of manufacture" is the one "to which [the infringing] design

* * * has been applied." 35 U.S.C. 289. Where a single component of a complex device infringes a patented design, the most natural interpretation of that text is that the component-specific design has been "applied" only to the specific component, rather than the entire device.

The history and purpose of Section 289 support that interpretation. In enacting Section 289 in the nineteenth century, Congress did not envision application of its rule to complex modern products that are assembled from a multitude of individual components, each of which constitutes a distinct "article of manufacture" and many of which may originate from different manufacturers. Congress enacted Section 289 in response to decisions of this Court that awarded nominal damages for the infringement of design patents for carpets, unitary articles in which the design is inseparable from the article as a whole. Troubled by that decision, Congress sought to preserve the right to obtain damages for infringement of design patents for carpets and similar articles such as oilcloths and wallpaper. Indeed, at the time Congress enacted Section 289, a design for a complex, multicomponent device generally would not even have been considered an "article of manufacture" under the design-patent statutes.

The foregoing approach is congruent with the existing case law. Courts interpreting Section 289 focused on simple products such as ornamental spoons and fireplace grates—products that are nothing like today's multicomponent technological products, which distinguish themselves in the marketplace based on a cornucopia of different features. To the extent that courts eventually considered multicomponent "articles of manufacture" in design-patent cases, those courts recognized the absurd

results that would follow from applying a rigid "total profit" rule and declined to extend it to that context.

Consistent with the text, history, and purpose of Section 289, the better interpretation of "article of manufacture" is one that recognizes that complex, multicomponent technological products typically embody far more than one "article of manufacture" for purposes of the "total profit" rule. An award of profits in cases where only a single component of a complex device infringes a design patent should be limited to the profit attributable to the component "to which [the] design * * * has been applied." 35 U.S.C. 289.

Finally, such an interpretation would serve the public interest. As predicted by numerous commentators, the Federal Circuit's decision has already prompted so-called "patent trolls" to threaten design-patent litigation against high-technology companies like amici. Meanwhile, companies are applying for and obtaining record numbers of design patents, which are certain to be asserted at similarly growing rates. The ensuing litigation will undermine innovation and the research and development efforts of amici and the technology industry more generally—a particularly troubling development in light of the spurious quality of many design patents. Amici therefore respectfully urge the Court to reverse the decision below.

ARGUMENT

I. THE FEDERAL CIRCUIT'S DECISION IS ERRONEOUS AND OUT OF STEP WITH MODERN TECHNOLOGY

Section 289 of Title 35 of the United States Code allows the holder of a design patent to recover "total profit" from any person who, without the patentee's consent, "applies the patented design * * * to any article of

manufacture for the purpose of sale," or "sells or exposes for sale any article of manufacture to which such design * * * has been applied." The question presented here is what is the relevant "article of manufacture" for determining "total profit": *viz.*, whether, when one component of a complex electronic device infringes a design patent, the relevant "article of manufacture" is the component alone or the entire device.

The better answer is the component bearing the patented design. The contrary interpretation adopted by the Federal Circuit cannot be reconciled with the text, history, or purpose of Section 289. And if it is allowed to stand, that interpretation will lead to absurd results in the modern technology industry.

A. Modern Technological Products Are Highly Complex And Consist Of Numerous Components And Software Subsystems

Complex, multicomponent products have become the norm in the modern consumer electronics industry. To take one example, a "smart television" contains over 2,500 high-technology components. See Abraham Pai, *Smart TV: Piece by Piece*, Samsung Tomorrow (Sept. 23, 2011) <goo.gl/5vvYWY>. Those components include an outer casing, speakers, a liquid crystal display, a circuit board containing 1,200 semiconductors, modules supporting wireless communications, a wall mount, a remotely controlled keyboard, a tuner, ports for connecting to other devices, graphics hardware, an operating system, and hundreds of software applications that may run on that system—including applications for games, communications, and news. *Ibid.*

The components of a smart television may be covered by individual design patents for features such as the curvature of the wall mount, the specific configuration of the keyboard, the design of the speakers, or even the ap-

pearance of a single icon within an application. Despite containing numerous components, however, a smart television is sold to an ordinary consumer as a single, complete product. Under the Federal Circuit's reasoning, the manufacturer or seller of a smart television containing any single component that infringed any one design patent could be required to pay in damages its total profit on the entire television, no matter how insignificant the design of the infringing component was to that profit or to consumer demand.

Another example is a laptop computer. See *The Different Parts of a Laptop Computer*, ZKarlo Laptop Parts Blog (June 15, 2011) <goo.gl/0R6055>. Much like a smart television, the components of a laptop include an outer casing, speakers, a liquid crystal display, a circuit board containing hundreds of semiconductors (including chips supporting wireless communication), a keyboard, a trackpad, ports for connecting to other devices, graphics hardware, an operating system, and hundreds of applications that may run on that system. *Ibid.*

As with the smart television, the components of a laptop computer may also be covered by numerous design patents for features such as the sleekness of the laptop's outer casing, the specific configuration of its keyboard or trackpad, the design of its speakers, or the display of drop-down menus in one of the laptop's many software applications. Again, despite containing numerous components, a laptop is sold to an ordinary consumer as a single, complete product. And again, under the Federal Circuit's interpretation, the manufacturer or seller of a laptop containing a component that infringed any single design patent would be required to pay in damages its total profit on the entire laptop. That is so even if the design patent at issue concerned a minor component un-

related to consumer demand for the laptop, such as the appearance of the laptop's trackpad.

Similar issues arise with respect to software products and online platforms. A design patent may cover the appearance of a single feature of a graphical user interface, such as the appearance of an icon. That feature—which may be the result of but a few lines out of millions of computer code—may appear only during a particular use of the product, on one screen display among hundreds, and in circumstances that many customers never even see. But the Federal Circuit's decision could allow the owner of the design patent to receive all of the profits generated by the entire product or platform, even if the infringing element was minor to the user and even if thousands of features, implemented across the software, actually drove the demand generating those profits.

Software covered by a design patent may be part and parcel of a much larger product, making the award of total profit even more excessive. For example, some vehicles now feature a digital instrument panel. That system, which appears on display screens on the car's dashboard, constitutes only a small fraction of the vehicle's components. Assuming, however, that even a single graphic on a single screen of the digital instrument panel was covered by a design patent, the Federal Circuit's interpretation would allow the patentee to extract the entire profit on the infringing car. That absurd result flows directly from the Federal Circuit's interpretation, even though consumers may not have bought the car because they wanted a digital instrument panel and certainly did not base the decision to buy on the single infringing design element. See Pet. App. 29a.

As the above examples demonstrate, the Federal Circuit's decision is disconnected from the reality of modern technological products, and it attaches outsized

significance to the design of individual components. Where complex technological products are involved, design is only one factor that contributes to consumer demand; function is often far more important. In a study of the factors that influence consumers' laptop-purchasing decisions, for example, design was ranked 21st out of 26 factors—behind functional qualities such as processor speed, memory capacity, and even the number of ports. See V. Aslihan Nasir et al., *Factors Influencing Consumers' Laptop Purchases*, Sixth Global Conference on Business and Economics 5 (Oct. 15-17, 2006) <goo.gl/nhi9OU>. So too in the smartphone context, consumers value numerous other qualities such as battery life, durability, and security. See Christopher Versace, *What Do Consumers Want in a New Smartphone?*, Forbes (Aug. 21, 2013) <goo.gl/CMG4j6>. And it is beyond doubt that functionality is a major factor in consumers' choice of which software products and online platforms to use.

To state the obvious, the investment in research and development for information and communication technologies—currently estimated at $250 billion annually—extends well beyond design to include the hardware, software, and services that are incorporated into the technological products. See R&D Magazine, *2014 Global R&D Funding Forecast* 24 (Dec. 2013) <goo.gl/7LIxBV>. The reason is simple: technology companies know that consumers want a product that works well, not simply one that looks good.

Consumer preferences exert influence over every component that is incorporated into modern technological products, even though those components may not be "sold separately" to the ordinary consumer. Pet. App. 29a. An ordinary consumer's demand for various components, in turn, drives the decisions of manufacturers to

purchase those components. See Braden Cox & Steve DelBianco, *Consumer Demand Drives Innovation and Integration in Desktop Computing*, Ass'n for Competitive Technology 1 (June 2007) <goo.gl/4ocA7n>. "[C]onsumers are demonstrating a desire to shape demand through their own insistence on mixing and matching products and product features," Jonathan Sallet, *The Creation of Value: The Value Circle and Evolving Market Structures*, 11 J. on Telecomm. & High Tech. L. 185, 190 (2013), and manufacturers are heeding that call.

The Federal Circuit's decision ignores all of the foregoing considerations and reduces the damages analysis to one question: was the feature that is covered by a design patent "sold separately from [the remainder of the product] as [a] distinct article[] of manufacture to ordinary purchasers"? Pet. App. 29a. If not, then the owner of a design patent is entitled to the full profits from the entire product, without any further inquiry into the importance of the infringing feature. That absurd result cannot be squared with the reality of modern, multicomponent technological products.

B. The Text Of Section 289 Provides For A Rule That Avoids the Harsh Consequences Of The Federal Circuit's Approach

Section 289 measures the award of "total profit" based on sales of the "article of manufacture to which [the infringed] design * * * has been applied." 35 U.S.C. 289. Congress first enacted that language in 1887 but did not define any of the key terms—"article of manufacture," "design," or "applied." See Act of Feb. 4, 1887, § 1, 24 Stat. 387. The starting point for interpreting the text is thus the original meaning of those terms

at the time Congress enacted the statute. See, *e.g.*, *Cuomo* v. *Clearing House Ass'n*, 557 U.S. 519, 525-526 (2009).[1]

While contemporaneous dictionaries do not separately define the phrase "article of manufacture," they do define the term "manufacture." In common parlance, a "manufacture" was "[a]ny thing made from raw materials by the hand, by machinery, or by art" (with "art" being "[t]he disposition or modification of things by human skill"). Noah Webster, *An American Dictionary of the English Language* 53, 516 (rev. ed. 1841) (*Webster's*); accord James Donald, *Chambers's Etymological Dictionary of the English Language* 309 (1871). Contemporary sources in the area of patent law used "article of manufacture" interchangeably with "manufacture" in this sense, indicating that the terms carried the same meaning. See, *e.g.*, *Gorham Co.* v. *White*, 81 U.S. (14 Wall.) 511, 525 (1872); George Ticknor Curtis, *A Treatise on the Law of Patents for Useful Inventions in the United States of America* § 106, at 92-93 (1849) (Curtis). As a later court noted, "[i]t is difficult to perceive how a thing may be a manufacture, without producing an article of manufacture." *In re Hadden*, 20 F.2d 275, 276 (D.C. Cir. 1927). Accordingly, an "article of manufacture," like a "manufacture," was simply a manmade object—whether

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[1] Congress codified the 1887 Act in 1952 but did not change any of those three key terms. See Act of July 19, 1952, ch. 29, § 289, 66 Stat. 813-814; S. Rep. No. 1979, 82d Cong., 2d Sess. 30 (1952). Because the revised statute contains no clear statement to the contrary, those terms are presumed to retain their original meaning. See *Scheidler* v. *National Organization for Women, Inc.*, 547 U.S. 9, 20 (2006).

or not that object was subsequently incorporated into something else.

As for the meaning of a "design," this Court long ago defined that term as "that which gives a peculiar or distinctive appearance to the manufacture, or article to which it may be applied, or to which it gives form." *Gorham*, 81 U.S. at 525. Put differently, a "design" is simply "a specific physical means for the production of a specific physical effect" on a manmade object. 1 William C. Robinson, *The Law of Patents for Useful Inventions* § 203, at 288 (1890) (Robinson). Finally as to the relevant terms, "applied" meant "put on; put to, directed; [or] employed." *Webster's* 46.

When those definitions are joined together, the "article of manufacture to which [the infringed] design * * * has been applied" is the manmade object to which "the specific [patented] physical means for the production of a specific physical effect" is "directed" or "put." That language thus indicates that, whether or not an infringing item is incorporated in a larger, complex device, the "design" for that item applies only to that item.

Consider, for instance, a patented design for a trackpad that may become part of a laptop computer. The trackpad design, one would naturally say, "[is] applied" to the material constituting the trackpad, thus bestowing the trackpad with its unique look. And that would remain the case even after the trackpad was subsequently installed in a laptop. The specific means for creating the trackpad's appearance (the "design") is still being directed ("applied") to the *trackpad*. It would be most awkward to say that the trackpad's design is being applied to the *laptop*, because the design is specific to the item to which it gives a "peculiar or distinctive appearance." *Gorham*, 81 U.S. at 525. If anything is being "ap-

plied" to—*i.e.*, "put on," *Webster's* 46—the laptop, it is the trackpad as a *component*, not the *design* of the trackpad itself.

The foregoing interpretation is the most natural reading of the statutory text, and it avoids the harsh consequences of the Federal Circuit's alternative. The Federal Circuit erred in concluding that the text compelled its draconian interpretation.

C. The Context And Legislative History Of Section 289 Confirm That Congress Did Not Intend For The Relevant 'Article Of Manufacture' To Be A Complex, Multicomponent Device

Congress adopted the "total profit" provision in Section 289 in response to this Court's rulings in two nineteenth-century cases that awarded nominal damages of six cents for the infringement of design patents covering carpets. See *Dobson* v. *Dornan*, 118 U.S. 10 (1886); *Dobson* v. *Hartford Carpet Co.*, 114 U.S. 439 (1885). The patentee could not recover lost profits in those cases, the Court reasoned, because the record contained no evidence of what portion of the infringer's profits stemmed from the patented design (rather than from the underlying material). See *Dobson*, 118 U.S. at 16-17; *Dobson*, 114 U.S. at 444-446.

Concerned that the patent laws provided "no remedy" for design-patent infringement in the wake of those decisions, S. Rep. No. 206, 49th Cong., 2d Sess. 1 (1886), Congress passed a bill awarding the "infringer's entire profit on the article," H.R. Rep. No. 1966, 49th Cong., 2d Sess. 3 (1886); see Act of Feb. 4, 1887, § 1, 24 Stat. 387. That bill was premised on the assumption that, for items like carpets, "it is the design that sells the article," and the design, as the primary feature of the article, is the only thing that "makes it possible to realize any profit at all." H.R. Rep. No. 1966, *supra*, at 3.

In enacting the "total profit" provision, Congress did not envision the "article of manufacture" as being a complex, multicomponent product—much less a product incorporating modern technologies. As explained in the House Report on the bill that became Section 289, "[s]o far as the *consumers* are concerned, the effect of design patent laws that are respected is to give them more beautiful carpets and wall-papers and oil-cloths." H.R. Rep. No. 1966, *supra*, at 3. The sponsor of the bill similarly noted that the statute would protect designs for "carpeting, oil-cloths, wall-paper, and things of that sort," and that the bill was introduced in response to "a great body of persons who are engaged in the manufacture of goods in which designs are the principal feature." 18 Cong. Rec. 835 (1887) (statement of Rep. Martin). Then as now, carpets, oilcloths, and wallpaper were relatively simple, single-component articles for which the design embodies virtually the whole article and is the primary factor driving sales.

In contrast, the available evidence suggests that Congress did not consider complex products with significant functional features to be "articles of manufacture" at all. From the very beginnings of the Republic, the basic statute on utility patents has distinguished "manufacture[s]" from "machine[s]." Act of Apr. 10, 1790, § 1, 1 Stat. 109. Since 1793, those have been two of the four statutory categories of subject matter eligible for utility patents—categories that remain unchanged today, except for the substitution of "process" for "art." Compare Act of Feb. 21, 1793, § 1, 1 Stat. 318-319, with 35 U.S.C. 101. In enacting the "total profit" provision in Section 289, therefore, Congress employed a term that even then had a venerable history in American patent law. See Rev. Stat. § 4886 (1874) (referring to "any new and useful art, machine, manufacture or composition of matter").

Commentators have long noted the distinction between "manufactures" and "machines." As explained above, the term "manufacture" refers broadly to a manmade object. See pp. 12-13, *supra*. Because Congress separately listed "manufacture[s]" and "machine[s]," however, commentators observed that the two terms must represent distinct classes of patentable subject matter. See, *e.g.*, Curtis § 102, at 89-90; Henry Childs Merwin, *The Patentability of Inventions* §§ 52-53, at 80 (1883) (Merwin). As one commentator explained, a "machine" was a "mechanism" bestowed with "a function or mode of operation * * * designed to accomplish a particular effect." Merwin § 52, at 80. A "manufacture," on the other hand, was "a thing to be used by itself," *id.* § 54, at 80, or, more simply, any manmade object "not being machinery," Curtis § 102, at 89. As another commentator eruditely put it, "[a manufacture] has no inherent law which compels it to perform its functions in a given method, but receives its rule of action from the external source which furnishes its motive power." 1 Robinson § 182, at 269-270; see Curtis § 102, at 89. In other words, a "manufacture" was a simple object useful in and of itself, and a "machine" was a complex object whose usefulness derived from its internal mechanics.

In fact, complex devices do not even appear to have been eligible for design patents at the time Congress adopted the relevant provision of Section 289. Like the utility patent statute, the statute authorizing the issuance of design patents set forth a specific list of patentable subject matters. See Rev. Stat. § 4929 (1874); Supp. to Rev. Stat., at xvi, 16 (1891). The broadest categories covered "any new and original design for a manufacture" and "any new, useful, and original shape or configuration of any article of manufacture." Rev. Stat. § 4929.

That statute, however, made no provision for design patents on "machines," and the contemporary practice of the Patent Office was not to issue such patents. As the Commissioner of Patents explained at the turn of the century, "[design] patents are limited to 'an article of manufacture,'" and "there is a clear and well-defined distinction in patent law between a machine and an article of manufacture." *Ex parte Steck*, 98 Official Gazette of the U.S. Patent Office (O.G.) 228, 230 (1902). The Patent Office would thus reject patent applications for designs applied to things such as trains or atomizers. See *ibid.*; *Ex parte Harris*, 38 O.G. 104, 104 (1887); *Ex parte Smith*, 81 O.G. 969, 969 (1897). The Patent Office explained that "several articles of manufacture of peculiar shape which when combined produce a machine or structure having movable parts may each separately be patented as a design; but the machine itself cannot be so patented." *Ex parte Adams*, 84 O.G. 311, 311 (1898); see *Steck*, 98 O.G. at 230 (discussing *Adams*).

Naturally, then, in enacting the "total profit" provision for design-patent infringement, the 1887 Congress focused on relatively simple, single-component articles such as carpets, oilcloths, and wallpaper. Complex multicomponent devices with inner workings did not constitute patentable subject matter for design patents at the time.

From today's perspective, the machine-manufacture distinction seems outdated. The Patent Office and the courts began to move away from that distinction in the 1920s. See *In re Koehring*, 37 F.2d 421, 423-424 (C.C.P.A. 1930). And today, design patents are readily issued for all sorts of consumer goods. See pp. 7-9, *supra*. From the perspective of the 1887 Congress, however, the distinction made good sense. The market for everyday consumer goods contained significantly fewer

complex machines than today. And abundant evidence shows that the design-patent laws arose to protect key consumer industries at the time, particularly the textile and cast-iron-goods industries. See Act of Aug. 29, 1842, § 3, 5 Stat. 543-544; H.R. Rep. No. 74, 27th Cong., 2d Sess. 2 (1842); Jason J. Du Mont & Mark D. Janis, *The Origins of American Design Patent Protection*, 88 Ind. L.J. 837, 848-854, 856-874 (2013); Thomas B. Hudson, *A Brief History of the Development of Design Patent Protection in the United States*, 30 J. Pat. Off. Soc'y 380, 380-383 (1948).

The point, however, is not that this Court should return to the nineteenth-century standard for the issuance of design patents. Rather, the import of the history of the design-patent laws is twofold. *First*, it hews more closely to Congress's original vision for the "total profit" provision to choose the specific infringing component of a multicomponent device as the relevant "article of manufacture" for purposes of determining "total profit." If Congress would not have thought that a complex device was an "article of manufacture" for purposes of patentability, it surely did not intend for such a device to be the relevant "article of manufacture" in the "total profit" provision.

Second, it does not conflict with Congress's original intent to adopt an interpretation of Section 289 that requires apportionment among the various components of a complex, multicomponent product. To be sure, in enacting Section 289, Congress intended to dispense with the apportionment requirement set out in the *Dobson* carpet cases, which resulted in the award of nominal damages for design-driven articles. See *Dobson*, 118 U.S. at 10; *Dobson*, 114 U.S. at 439. But there is no evidence that Congress intended to award, or even considered the possibility of awarding, the total profit from a

complex, multicomponent machine of which the infringing design applies to but one component. While Congress intended to prevent apportionment in cases involving simple products, it did not intend to require disproportionate damages in other cases. The context and legislative history of Section 289 strongly support a less expansive interpretation of the "total profit" provision.

D. The Case Law Interpreting Section 289 Further Supports Petitioners' Reading

Despite the subsequent growth of the design-patent regime, most cases applying Section 289 have continued to involve simple products that are defined by, and purchased for, their designs. Examples include such products as garment racks, fireplace grates, sofas, and lamps—products much like the carpets and oilcloths that motivated Congress when it originally enacted the "total profit" rule. See *Catalina Lighting, Inc.* v. *Lamps Plus, Inc.*, 295 F.3d 1277, 1281 (Fed. Cir. 2002); *Schnadig Corp.* v. *Gaines Manufacturing Co.*, 620 F.2d 1166, 1167 (6th Cir. 1980); *Henry Hanger & Display Fixture Corp.* v. *Sel-O-Rak Corp.*, 270 F.2d 635, 638 (5th Cir. 1959); *Bergstrom* v. *Sears, Roebuck & Co.*, 496 F. Supp. 476, 480 (D. Minn. 1980).

Where courts have been faced with more complex, multicomponent products containing a component with an infringing design, they have exercised common sense and awarded total profit based on the component alone, not the larger product. For example, in *Bush & Lane Piano Co.* v. *Becker Bros.*, 222 F. 902 (1915) and 234 F. 79 (1916), the Second Circuit declined to award the total profit from a piano that included an infringing piano case. As the court put it, the patentee "did not invent a piano, but a piano case," 222 F. at 905, and the piano's instrument and case were distinct articles of manufac-

ture. The court reasoned that the "article" from which total profit was awarded should depend on the "technical, mechanical, popular, and commercial" circumstances in a particular case. 234 F. at 81. Applying that approach, the court distinguished between profit from consumers' demand for "the piano mechanism, which pleased the ear," and for "the ornamented and infringing casing, which attracted the customer's eye." *Id.* at 82. The court recognized that this distinction ultimately mattered in awarding total profit based on the only component bearing the patented design—the piano case.

In the decision below, the Federal Circuit attempted to distinguish *Bush & Lane Piano* on the ground that "the commercial practice in 1915" was such that "ordinary purchasers regarded a piano and a piano case as distinct articles of manufacture." Pet. App. 29a. But ordinary purchasers also view modern technological products as containing multiple "articles of manufacture" that are integrated into products based on their preferences. *See* pp. 10-11, *supra*. Just as Samsung or Apple purchases many of the components and features of its smartphones from third parties based on consumers' preferences, and mixes and matches those components and features into its smartphone models based on those preferences, the defendant manufacturer in *Bush & Lane Piano* purchased the infringing piano cases from others before assembling them and selling them with pianos as whole units, again based on consumer preferences. See 222 F. at 904.

The Second Circuit's earlier decision in *Untermeyer* v. *Freund*, 58 F. 205 (1893), accords with the foregoing approach. The infringed design at issue there was for a watch case, the metal outer shell of a pocket watch sold separately from the time-keeping mechanism. *Id.* at 206-207; see Warren H. Niebling, *History of the American*

Watch Case 28-50 (1971) (Niebling); National Ass'n of Watch & Clock Collectors, *Encyclopedia: Watch Case* <goo.gl/XN9bYA>. The court concluded that the infringer had to pay the patentee the profits made from "watch cases bearing the patented design." *Untermeyer*, 58 F. at 209. Relying on the plain language of the "total profit" provision, the court rejected the defendant's argument that his liability was limited to the profits made from the design alone, not the entire watch case. See *id.* at 211-212. In *Untermeyer*, however, the ornamental design was applied to a single-component article of manufacture—the watch case—with the result that the patentee could recover profits made from the case alone. See *id.* at 206-209; see also *Untermeyer* v. *Jeannot*, 20 F. 503, 503-504 (C.C.S.D.N.Y. 1884); Niebling 48. *Untermeyer* is thus entirely consistent with petitioners' interpretation of Section 289.

Finally on this score, the Sixth Circuit applied similar principles in another design-patent case that the Federal Circuit did not address in the decision below. In *Young* v. *Grand Rapids Refrigerator Co.*, 268 F. 966 (1920), the court refused to award total profit on a refrigerator that incorporated an infringing door latch. Because it is readily apparent that the design of a latch does not permeate a refrigerator, "it [wa]s not seriously contended that all the profits from the refrigerator belonged to [the patentee]," and damages (in the amount of the statutory minimum) were awarded based on the profit derived from the latch alone. *Id.* at 967, 974.

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In sum, the text, context, and legislative history of Section 289, and case law interpreting it, reveal the error in the Federal Circuit's approach. All of those sources point to the same conclusion: where a component of a

complex, multicomponent device infringes a design patent, total profit should be measured based on the infringing component, not the entire device.

II. PETITIONERS' INTERPRETATION OF SECTION 289 BETTER SERVES THE STATUTE'S PURPOSE AND THE PUBLIC INTEREST

Applying the Federal Circuit's interpretation of the "total profit" rule to complex multicomponent products incorporating modern technologies would produce absurd consequences that Congress would not have intended. See pp. 7-9, *supra*. Awarding a design patentee the total profit from an infringer's product when the design covers only a relatively minor portion of the product is out of proportion with the significance of the design and out of touch with economic realities. See pp. 9-11, *supra*. Such disproportionate damages awards hinder innovation and "disrupt[] the ability of the market to allocate [research and development] resources to those areas most likely to generate the products most valued by consumers." Federal Trade Commission, *The Evolving IP Marketplace* 146 (2011). They also create an incentive for the prosecution of opportunistic lawsuits, as has already begun to occur.

A. A Narrow Interpretation Of 'Article Of Manufacture' Better Serves The Purpose Of Section 289

The correct way to interpret Section 289 is to read the phrase "article of manufacture," consistent with the statutory text, context, legislative history, and case law, to mean the component "to which [the] design * * * has been applied." 35 U.S.C. 289. Section 289 awards the "extent of [the infringer's] total profit" for "any article of manufacture to which such design * * * has been applied": that is, "the profit made from the infringement." *Ibid.* Thus, where the application of the

design permeates the entire product and drives nearly all of its demand—as with carpets, oilcloths, or ornamental spoons—the "article of manufacture" is the whole product, and profit from the whole product may be awarded. But where a design "has been applied" to only part of a multicomponent product and does not drive demand for the entire product, the "article of manufacture" is rightly considered to be only the component to which the design applies, and only profit attributable to that component may be awarded.

Such an approach would have the added benefit of being congruent with the "entire market value" rule that the Federal Circuit has applied in determining whether the royalty base for reasonable royalty damages should extend to an entire multicomponent technology. Under that rule, a patentee may "assess damages based on the entire market value of the accused product only where the patented feature creates the basis for customer demand or substantially create[s] the value of the component parts." *Uniloc USA, Inc.* v. *Microsoft Corp.*, 632 F.3d 1292, 1318 (Fed. Cir. 2011) (alteration in original) (internal quotation marks omitted). Otherwise, royalties are not based on the entire technology, but instead on the "smallest salable patent-practicing unit," which could be any number of components that constitute the technology. *LaserDynamics, Inc.* v. *Quanta Computer, Inc.*, 694 F.3d 51, 67 (Fed. Cir. 2012) (internal quotation marks omitted). Just as a "reasonable royalty" can be keyed to the component of a complex technology, so too can an award of "total profit" be tied to such a component.

Similar principles apply to the Federal Circuit's approach in awarding "lost profits" damages in the context of utility patents. To receive such damages, a patentee must show that the defendant's infringement of its pa-

tented feature caused the losses. Causation requires, among other things, a showing of "demand for the patented product" and "manufacturing and marketing capability to exploit" that demand. *Rite-Hite Corp.* v. *Kelley Co.*, 56 F.3d 1538, 1545 (Fed. Cir. 1995) (en banc). Without such proof, the patentee cannot "prove entitlement to lost profits damages" and is limited to other forms of damages, such as a reasonable royalty. *Id.* at 1544-1545. If that principle were applied in the context of design patents, Apple could receive lost profits here only to the extent that it could show that it has sold fewer iPhones *because* Samsung sold smartphones that had a similar curvature or used a similar icon. Again, to the extent damages based on profits are available at all, they must be tied to the relevant components that influence consumer demand.

There is no dispute here that the designs at issue solely involved a portion of the smartphone's outer shell and a single graphical-user-interface screen, and it is not clear from the record in this case that those infringing designs are the reason consumers purchased the infringing Samsung devices at issue. A proper interpretation of Section 289 should focus on those components, not on the products as a whole, and the Federal Circuit erred in holding otherwise.

B. A Narrow Interpretation Of 'Article Of Manufacture' Better Serves The Public Interest

A narrow interpretation of "article of manufacture" is also necessary to reduce the risk of frivolous litigation in the design-patent context. If allowed to stand, the Federal Circuit's interpretation will create incentives for more such litigation, because any technology that somehow encompasses an infringing design—no matter how complex—could trigger the "total profit" rule and allow

the patentee to obtain disgorgement of all profits from the purported infringer. That possibility will prompt litigation both from technology manufacturers and from so-called "patent trolls," with significant detrimental consequences for the continued development of useful modern technological products.

As an initial matter, even aside from the effects of the Federal Circuit's decision, design-patent litigation is bound to increase in frequency in light of the growing numbers of design patents granted in recent years. As reflected in the Patent and Trademark Office's annual report on design patents, those patents are being granted at a record clip. Of the approximately 750,000 design patents that have been granted in American history, more than *half* have been granted in the last two decades. See Patent and Trademark Office, *U.S. Patent Activity: Calendar Years 1790 to the Present* <goo.gl/pCw-9SJ>.

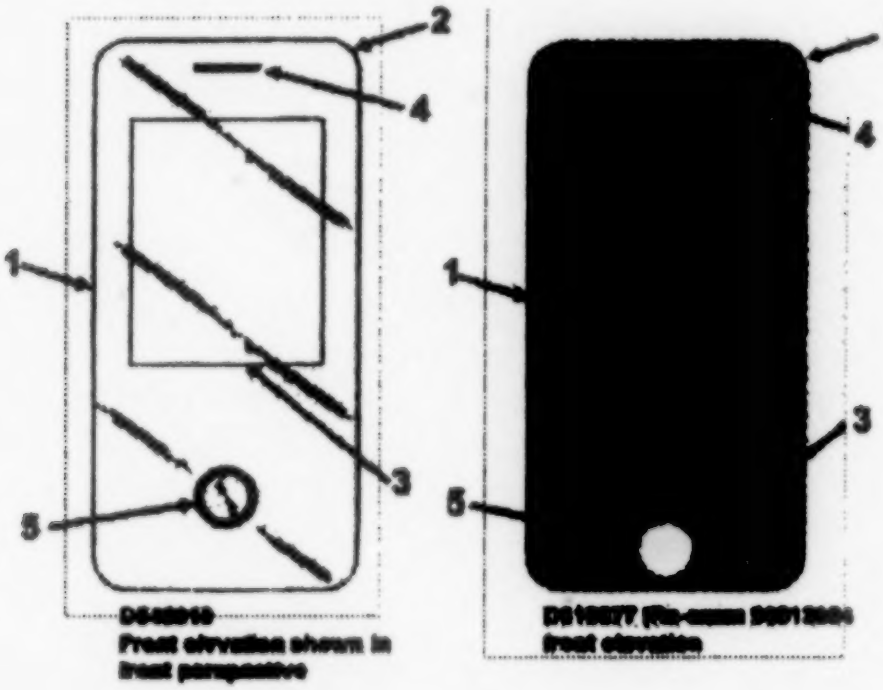
Given those numbers, it seems virtually certain that the rate of design-patent litigation will also increase. While fewer design patents are litigated than utility patents, the filing of design-patent cases has shown no sign of slowing down. See Brian C. Howard, Lex Machina, *2014 Patent Litigation Year in Review* 12 (2015) <goo.gl/CqzkCP>. In the wake of the Federal Circuit's decision, commentators have suggested that "there will be an explosion of design patent assertions and lawsuits." Jason Rantanen, *Apple v. Samsung: Design Patents Win*, Patently-O (May 18, 2015) <goo.gl/x23XTm>. That is particularly true because "an award of infringers' profits by its nature does not require the patentee to be a producing entity, and the lure of profits may drive trial lawyers to work on contingency fees in hopes of a large settlement." Sal Nuzzo, *Florida Entrepreneurs Should Be Spared Design-Patent Follies: State Viewpoint*, Orlando

Sentinel, Oct. 20, 2015, at A13. "[T]he relative ease, speed and lower costs with which a design patent may be secured in comparison to a utility patent" only adds fuel to the fire. David M. Marcus & Shawn K. Leppo, *Welcome Fallout from the Smartphone Wars: Federal Circuit Embraces Strong Protection of Design Patents*, Metropolitan Corporate Counsel 16, 34 (July 17, 2015) <goo.gl/V4MS1g>.

Indeed, as petitioners point out, "patent trolls" have already begun relying on the Federal Circuit's decision to demand large payments for alleged design-patent infringement. See Pet. Br. 51 & nn. 31-32. One such "troll" even filed a patent-infringement action based on a "pending design patent portfolio (a.k.a. patents not yet issued)." Giuseppe Macri, *Patent Trolls are Already Abusing the Apple v. Samsung Ruling*, InsideSources (Oct. 1, 2015) <goo.gl/Q59y6e>. If "trolls" are already threatening to assert *pending* design patents in the wake of the Federal Circuit's decision, one can only imagine how much that activity will increase over time as more such patents are granted. And there can be no real doubt that grants will be forthcoming: as noted, "design patents" are "much faster and cheaper to obtain than utility patents," and the typical grant takes only 14 months. Peter Lee & Madhavi Sunder, *Design Patents: Law Without Design*, 17 Stan. Tech. L. Rev. 277, 283 (2013).

In addition to increasing the rate of design-patent litigation, the Federal Circuit's decision is also likely to result in a concomitant increase in the issuance of low-quality design patents that do not represent significant innovations in design. Indeed, one of the very patents at issue here—Apple's patent for the design of the smartphone's front face—was recently reexamined by the Patent and Trademark Office, which preliminarily

determined that the design was anticipated, obvious, or both, as illustrated by the prior-art design depicted to the left of the patented design below:



See Office Action in *Ex Parte Reexamination* (Reexam. Control No. 90/012,884, U.S.P.T.O. Aug. 5, 2015), at 5. Whatever the degree of invention in Apple's design, this example amply illustrates that even design patents belonging to major technology companies may involve only minimal, if any, advances over the prior art. Design patents in the modern era are seldom directed to fashionable carpet designs or classic Coca-Cola bottles; they are often sought, and issued, for relatively mundane design features. If allowed to stand, the Federal Circuit's decision would encourage the procurement and assertion of more low-quality, marginally innovative design patents, in the hopes that those patents will be infringed by the latest smartphone, laptop, or other device.

What is more, the availability of disproportionate profits from accused infringers of design patents would reduce innovation. This Court has recognized that the activities of "patent trolls" "can impose a harmful tax on innovation." *Commil USA, LLC* v. *Cisco Systems, Inc.*, 135 S. Ct. 1920, 1930 (2015) (internal quotation marks and citation omitted). If adopted by this Court, the Federal Circuit's interpretation would provide design patentees with a cudgel that they can use as "a bargaining tool to charge exorbitant fees to companies that seek to buy licenses to practice the patent." *eBay Inc.* v. *MercExchange, L.L.C.*, 547 U.S. 388, 396 (2006) (Kennedy, J., concurring). Those exorbitant fees, and the inevitable concomitant litigation costs, necessarily come out of the research and development budgets of technology companies, further hampering innovation. A recent study concluded that such fees and costs may reduce research and development spending in such companies by as much as 48%. See James Bessen, *The Evidence Is In: Patent Trolls Do Hurt Innovation*, Harvard Business Review (Nov. 2014) <goo.gl/XJnWVT>. Such a prospect is particularly troubling where, as here, "the patented invention is but a small component of the product the companies seek to produce." *eBay*, 547 U.S. at 396 (Kennedy, J., concurring).

Finally, the Federal Circuit's interpretation could lead to arbitrary results. That is because it could make the measure of damages in design-patent cases depend on the identity of the infringer. Consider, for example, the market for smartphone components. See, *e.g.*, *Slicing an Apple*, The Economist (Aug. 10, 2011) <goo.gl/ZYGXQ>. If Samsung or Apple were to infringe a component manufacturer's design patent and to incorporate it in a smartphone, the component manufacturer could recover profit from sales of the entire smartphone. But

if the component manufacturer were to infringe an identical patent held by Samsung or Apple, Samsung or Apple could recover damages based only the manufacturer's sales of the component. In other words, an identical act of infringement would yield two different damages awards simply because the infringers packaged their products in different units.

All of the foregoing problems can be avoided by interpreting the phrase "article of manufacture" to mean the component of a complex product that is covered by the relevant design patent, rather than the entire product. Such an interpretation would rightly limit a patentee's award under Section 289 to the amount of profit generated by the infringing component. And it would better accord with the statute's text, history, and purpose, while serving the public interest in our twenty-first-century economy.

CONCLUSION

The judgment of the court of appeals should be reversed.

Respectfully submitted.

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SAMSUNG ELECTRONICS CO., LTD., SAMSUNG ELECTRONICS AMERICA, INC., SAMSUNG TELECOMMUNICATIONS AMERICA, LLC

Petitioners,

v.

APPLE INC.,

Respondent.

On Writ Of Certiorari To The United States Court Of Appeals For The Federal Circuit

BRIEF OF NIKE, INC. AS *AMICUS CURIAE* IN SUPPORT OF NEITHER PARTY

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TABLE OF CONTENTS

Page

INTEREST OF *AMICUS CURIAE* 1

SUMMARY OF ARGUMENT 11

ARGUMENT 13

I. EFFECTIVE DESIGN PATENT REMEDIES PROMOTE COMPETITION AND ENHANCE ECONOMIC EFFICIENCY 13

A. Innovative Design Promotes Competition 14

B. Design Patents Enable Companies To Protect Their Investments In Innovative Design 21

C. Effective And Enforceable Remedies Are Critical To Design Innovation And Economic Efficiency 28

II. THE COURT SHOULD PRESERVE THE TRADITIONAL DISGORGEMENT REMEDY FOR DESIGN PATENT INFRINGEMENT UNDER SECTION 289 31

CONCLUSION 38

TABLE OF AUTHORITIES

Page(s)

Federal Cases

Aftermarket Tech. Corp. v. Whatever It Takes Transmissions,
No. 3:00CV-326-R, 2003 U.S. Dist. LEXIS 27933 (W.D. Ky. Aug. 12, 2003) 25

Balsley v. LFP, Inc.,
691 F.3d 747 (6th Cir. 2012).....37

Bates v. United States,
522 U.S. 23 (1997).....31

Bergstrom v. Sears, Roebuck & Co.,
496 F. Supp. 476 (D. Minn. 1980) 31

Brooktree Corp. v. Advanced Micro Devices, Inc.,
977 F.2d 1555 (Fed. Cir. 1992) 22

Catalina Lighting, Inc. v. Lamps Plus, Inc.,
295 F.3d 1277 (Fed. Cir. 2002) 32

Chrysler Corp. v. Silva,
118 F.3d 56 (1st Cir. 1997) 14

Egyptian Goddess, Inc. v. Swisa, Inc.,
543 F.3d 665 (Fed. Cir. 2008).....26

Ericsson, Inc. v. D-link Sys., Inc.,
773 F.3d 1201 (Fed. Cir. 2014) 32, 33

Feist Publ'ns, Inc. v. Rural Tel. Serv. Co.,
499 U.S. 340 (1991).....24

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944 F.2d 1235 (6th Cir. 1991).....22

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994 F.2d 1359 (9th Cir. 1993) 15

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81 U.S. 511 (1871) 26

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615 F.3d 855 (7th Cir. 2010) 14, 22

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135 S. Ct. 1042 (2015) 30

KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.,
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915 F. Supp. 595 (S.D.N.Y. 1996) 14

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No. 90 Civ. 4464, 1990 U.S. Dist. LEXIS 19123 (S.D.N.Y. Dec. 14, 1990) 15

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564 U.S. 91 (2011) 32, 37

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138 F.3d 1437 (Fed. Cir. 1998) 34, 36

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597 F.3d 1288 (Fed. Cir. 2010) 22

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741 F.2d 896 (7th Cir. 1984) 26

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802 F. Supp. 1169 (D.N.J. 1992) 20, 21

Varsity Brands, Inc. v. Star Athletica, LLC,
799 F.3d 468 (6th Cir. 2015) 27

W.T. Rogers Co. v. Keene,
778 F.2d 334 (7th Cir. 1985) 16

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529 U.S. 205 (2000) 14, 30

Whelan Assocs., Inc. v. Jaslow Dental Lab., Inc.,
797 F.2d 1222 (3d Cir. 1986) 26

Federal Statutes

15 U.S.C. § 1116(d)(1)(A) 7

15 U.S.C. § 1117 33

15 U.S.C. § 1117(a) 33, 36

15 U.S.C. § 1117(b) 7

15 U.S.C. § 1127 ..... 24, 25

17 U.S.C. § 302(a)-(c) 25

17 U.S.C. § 504 33

17 U.S.C. § 504(b) 33, 36, 37

18 U.S.C. § 2320 7

35 U.S.C. § 102(a) 24

35 U.S.C. § 154(a)(2) 25

35 U.S.C. § 171 ..... 8, 24

35 U.S.C. § 173 25

35 U.S.C. § 284 ..... 31, 32, 33

35 U.S.C. § 289 ..... 11, 12, 29, 31

35 U.S.C. § 311(a) 25

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Act of Feb. 4, 1887, Chapter 105, 24 Stat. 387 31

Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) 31

Patent Law Treaties Implementation Act of 2012, Pub. L. No. 112-211, 126 Stat. 1527 25

International Statutes

Council Regulation 6/2002, art. 12 (EU) 27

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Industrial Design Act, R.S.C. 1985, c I-9, § 5.1(a) (Can.) 28

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Wash. Rev. Code Ann. § 9.16.030, *et seq.* 7

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80 Fed. Reg. 17,918 (Apr. 2, 2015) 25

Constitutional Provision

U.S. Const. art. I, § 8, cl. 8 23

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INTEREST OF *AMICUS CURIAE*[1]

Nike is the world's leading developer, designer, and seller of athletic footwear, apparel, equipment, accessories, and services. Nike's portfolio of brands includes the NIKE Brand, the Jordan Brand, Converse, and Hurley. Nike and Nike's affiliate brands have achieved iconic status and worldwide recognition largely due to Nike's innovative designs, including many designs that are protected by design patents. As the owner of more than two thousand active design patents, Nike holds the third largest portfolio of design patents in the United States.[2] Nike therefore has a substantial interest in the question presented.

In consumer product markets and in fashion industries, including the highly competitive market for athletic footwear and apparel, product designs are often a key factor driving sales. Consumers largely choose products with designs that appeal to them and reflect their aesthetic sensibilities, their personalities, and the image they wish to convey to those around them.

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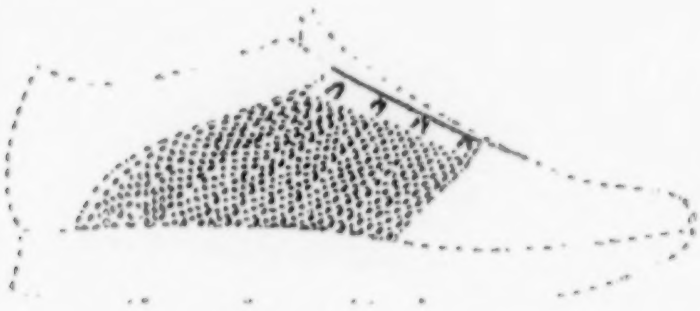
[1] Pursuant to Supreme Court Rule 37.6, counsel for *amicus curiae* states that no counsel for a party authored this brief in whole or in part, and no party or counsel for a party, or any other person other than *amicus curiae* or its counsel, made a monetary contribution intended to fund the preparation or submission of this brief. All parties have consented in writing to the filing of this brief.

[2] Trefis Team, *Here's How Nike Is Innovating to Scale Up Its Manufacturing*, Forbes (May 18, 2016), http://www.forbes.com/sites/greatspeculations/2016/05/18/heres-how-nike-is-innovating-to-scale-up-its-manufacturing/#2aaaf5c07024.

Nike's Flyknit® footwear is a recent and striking example of how patented design innovations led to a consumer product that generates consumer demand. Through significant investment, Nike developed numerous innovative designs, several of which are protected by design patents, including the design for a shoe upper depicted below.



U.S. Patent No. D668,032 (filed May 21, 2012).

Nike further developed hundreds of additional footwear designs that utilize Flyknit® and are protected by Nike's design patents, including for example, the Nike Flyknit® Racer:

The lightweight, multicolor knitted design for shoe uppers has won significant media acclaim and inspired similar designs in other consumer products,

ranging from laptop computers to drums and floor lamps.[3]

Why Nike Flyknit Is the Most Stylish and Innovative Sneaker Technology Today

Pete Forester, *Why Nike Flyknit Is the Most Stylish and Innovative Sneaker Technology Today*, Complex (Apr. 2, 2015), http://www.complex.com/sneakers/2015/04/nike-flyknit-is-the-most-stylish-and-innovative-sneaker-technology-today.

Nike's Flyknit® designs are just one recent example of Nike's storied history of groundbreaking design innovations. Another notable example is Nike partially exposing the air bags built into the midsoles of certain models of its footwear, done for the first time in its 1987 Air Max® 1 design.[4] Like the Flyknit® design, many of Nike's Air Max® designs were and are protected by design patents, including the one below:

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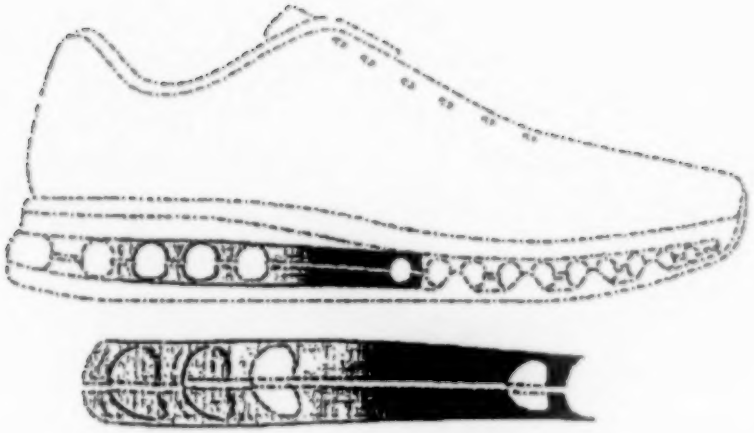
[3] *E.g.*, Raymond Wong, *HP's New 2-in-1 Laptops Are Inspired by Nike Flyknit Sneakers*, Mashable (May 3, 2016), http://mashable.com/2016/05/03/2016-hp-pavilion-x360-hands-on/#OiZnz9bY0gqI; Hannah Martin, *Nike Collaborates with 10 Furniture Designers for a Motion-Inspired Installation in Milan*, Architectural Dig. (Apr. 12, 2016), http://www.architecturaldigest.com/gallery/nike-furniture-designers-installation-in-milan.

[4] Benjamin Menzies, *Air Reinvented: The Nike Air Max 1*, Acclaim, http://www.acclaimmag.com/style/air-reinvented-the-nike-air-max-1/ (last visited June 2, 2016).



U.S. Patent No. D702,424 (filed Nov. 22, 2013).

Nike continues to innovate on the Air Max® platform with new designs, including the Nike Air Max® 2014 below:

The iconic Air Max® design was a unique and first-of-its-kind product offering, resulting in commercial success. It launched a new form of footwear and its wide popularity and press acclaim have endured for nearly three decades.[5]

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[5] *See, e.g.*, Karen Dacre, *Air Max Factor: the Nike Classic Still Has It*, London Evening Standard (Apr. 22, 2013),

Air Max factor: the Nike classic still has it

These shoes aren't made just for running marathons. Even after 25 years, the Nike Air Max trainer is still the hippest in town, says Karen Dacre

Karen Dacre, *Air Max Factor: the Nike Classic Still Has It*, London Evening Standard, (Apr. 22, 2013), http://www.standard.co.uk/fashion/air-max-factor-the-nike-classic-still-has-it-8582465.html.

Similarly, Nike's Kobe X Elite design is a wildly popular athletic-shoe design that has been lauded by consumers and the press since its release.[6] Like its

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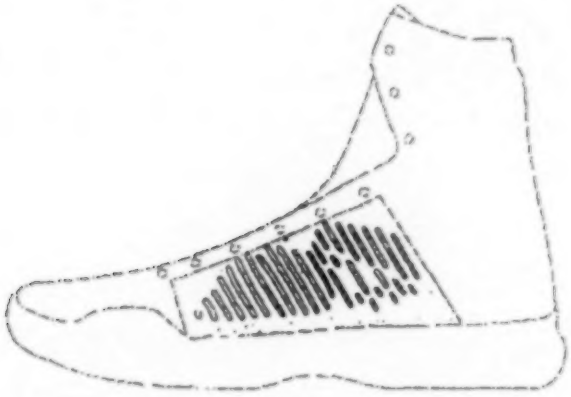
http://www.standard.co.uk/fashion/air-max-factor-the-nike-classic-still-has-it-8582465.html ("From hip-hop stars of the past three decades to trainer-obsessed teenagers and then every other urban dweller in every major metropolis on the world, the Nike Air Max's reach is planet-encompassing."); Jonathan Evans, *This New Nike Release Is a Celebration of All Things Air Max*, Esquire (Mar. 26, 2016), http://www.esquire.com/style/news/a43340/nike-air-max-royal/ ("[T]he [Air Max] design quickly became a modern icon "); Andrew D. Luecke, *The Evolution of Visible Air*, Esquire (Mar. 12, 2015), http://www.esquire.com/style/mens-accessories/news/a33621/nike-air-max-history-infographic/ ("Few shoes are as iconic (or continuously popular) [as] Nike's Air Max range "); Menzies, *supra* note 4 (Air Max 1 "started a footwear revolution").

6 *See, e.g.*, Tim Newcomb, *Nike Gets Technical in New Elite Series Sneakers for LeBron, Durant and Kobe*, Sports Illustrated (Mar. 2, 2015), http://www.si.com/nba/2015/03/02/nike-elite-series-sneakers-lebron-durant-kobe ("The Kobe X Elite continues the use of a new traction system and a cushioning strategy that combines Lunarlon foam and Nike Zoom Air. For Nike, the Elite line magnifies sneaker technology in a signature way."); Slam, *Nike 'What The' Kobe X Elite* (Dec. 23, 2015), http://www.slamonline.com/kicks/nike-what-the-kobe-x-elite-kicks/#rGmVCW7AOSjbxmk8.97 (referring to a new color pattern of the Kobe X Elite as "the perfect way to round out a huge

Flyknit® and Air Max® designs, Nike owns design patents on many of its Kobe X Elite designs, including the one below reflecting the model's distinctive shoe upper:



U.S. Patent No. D735,463 (filed Dec. 30, 2014).

http://cdn.solecollector.com/media/up/2015/11/1000_nike-kobe-x-elite-high-university-redwhite-obsidian-bright-crimson-1447087220.jpg.

2015 for the Kobe X silhouette, one of the most popular on the NBA's hardwood and in the streets").

Design successes driving new and innovative products like these do not happen by chance. To the contrary, Nike invests substantial resources in developing and protecting designs that are innovative and appealing and will resonate with consumers. Nike employs diverse teams of nearly 1,000 employees dedicated to apparel, footwear and graphic design, as well as color and material design experts. Nike and its designers routinely work with many of the world's greatest athletes to conceive and bring to market innovative designs that will inspire consumers. Nike also invests substantial resources in improving the quality, cost, and functional aspects of its products, but it is frequently the design that drives consumer demand. Indeed, Nike's products are often purposefully engineered around novel and innovative designs. As a result, the success of a Nike product is often inextricably bound to the appeal of the kind of new, exciting designs that are protected by design patents.

Given the global popularity of Nike's products, there are, unfortunately, entities tempted to ride in Nike's wake and make a quick profit by selling knockoffs of Nike's original designs. United States federal and state law provides for appropriate remedies to combat counterfeit versions of Nike's products—that is, copies that also bear exact replicas of Nike's trademarks. *See, e.g.*, 15 U.S.C. §§ 1116(d)(1)(A), 1117(b); 18 U.S.C. § 2320; Wash. Rev. Code Ann. § 9.16.030, *et seq*. (outlining criminal and civil remedies). However, for products that copy Nike's enormously popular designs but do not complete the fraud by holding themselves out as genuine Nike products (*i.e.*, they do not have a Swoosh or the

Nike wordmark), the appropriate protection is the intellectual property right created by Congress under the Design Patent Act, codified at 35 U.S.C. § 171, *et seq*. As a result, Nike has applied for and owns thousands of design patents, covering its designs or portions of its designs used in all of its product lines, including its athletic and leisure footwear, apparel, athletic equipment, and digital devices or services.

Effective protection, policing, and enforcement of these intellectual property rights are vitally important to Nike's brands' success, competitive position, and growth potential. As set forth in greater detail below, these remedies provide incentives for companies like Nike to develop new designs that speak to consumers' interests—both because it is in Nike's interest to avoid prior design rights owned by third parties and because Nike has some reassurance that its investment in new and original designs will not be usurped by copycats who seek to make a quick profit by simply stealing the designs that prove to be popular in the marketplace. These knockoffs injure Nike and other innovative companies and designers by diverting individual sales and diluting the uniqueness of intentionally designed products, for specific items and in general. This is why enforcement of intellectual property rights helps to ensure that Nike's products remain distinctive and allows companies like Nike to reinvest in creative and innovative designs. To this end, Nike recently brought suit against Fujian Bestwinn (China) Industry Co., Ltd., for infringement of Nike's exclusive design patent rights protecting Nike's shoe uppers and outsoles, including design patents teaching certain of Nike's Flyknit® designs. *See Nike, Inc. v. Fujian*

Bestwinn (China) Indus. Co., No. 2:16-cv-00311-APG-VCF (D. Nev. filed Feb. 17, 2016); *see also Nike, Inc. v. Skechers U.S.A., Inc.*, No. 3:16-cv-00007-PK (D. Or. filed Jan. 4, 2016).

In cases such as these, the statutory remedy of a "total profit" award for design patent infringement is critical to encouraging creative design and reinvestment by deterring infringement *ex ante* and obtaining effective redress when infringement does occur. In Nike's experience, because of the popularity of its designs, companies and individuals may be tempted to try to maximize their profit by "fast-following" and copying protected designs. The reality of facing a substantial, actual damages award is a deterrent to would-be intentional infringers, making it less likely that intellectual property owners like Nike (as well as law enforcement agencies) will need to expend significant resources addressing knockoff products. Conversely, if the Court were to water down the remedies provided under Section 289, it would embolden potential infringers to treat the risk of an infringement judgment as simply the price of doing business, and one that can be managed by advancing arguments as to the appropriate apportionment of costs.

If Nike and other companies creating and bringing to market new and innovative designs cannot adequately protect their advances, there will be little incentive for them to dedicate and reinvest time and resources to producing innovative and socially valuable designs. Conversely, the availability of remedies for design patent infringement ultimately encourages others in the industry to invest in their own original designs, which can advance industries and

ultimately benefits consumers by broadening the basket of choices of product designs available to them in the marketplace.

By submitting this brief, Nike seeks to emphasize that a robust and administrable damages remedy is essential to the effectiveness of the Patent Act and to enforcement of protectable designs. Although Nike supports neither party in this case and expresses no view on whether the lower courts properly applied the law to the facts, Nike's own experience shows that the traditional "total profit" rule is the correct and most administrable remedy for infringement of design patents. Nike has no objection to companies that follow fashion trends generally and compete for sales honestly based on price, quality, or other attributes. But in the fiercely competitive world of fashion and consumer products, when willful copying of innovative designs rises to the level of infringing a valid, original design patent because the plaintiff can establish that the knockoff is "substantially the same" as the patented design, it is entirely appropriate that Congress has authorized the disgorgement of infringers' "total profit." The prospect of an award of "total profit" serves to encourage "fast followers" to follow trends, not infringe intellectual property, and allows patent owners to avoid litigation in many cases by deterring infringement and encouraging reasonable, negotiated settlement where necessary.

In sum, Nike has a strong interest in the proper measure of damages for design patent infringement, including disgorgement of total profit from sales of infringing products. If the Court departs from this longstanding interpretation, it will create a host of

issues for innovative consumer product and fashion companies, like Nike, that have relied on the plain text of 35 U.S.C. § 289 and the certainty of the "total profit" rule.

SUMMARY OF ARGUMENT

I. A. Product design is a vital way that companies advance industries, drive demand, and foster competition. Aesthetic designs frequently apply to entire products and can be their chief distinguishing features. Designs impart valuable information about the product and often serve as fashion statements, influencing how others perceive the consumer. Each of these enhances consumer demand, which is why innovative companies increasingly incorporate design into their corporate strategy.

B. Design patents protect significant investments and incentivize reinvestments needed to develop successful designs. In many fashion industries, including the footwear, equipment, and apparel industry, barriers to copying are low. Knockoffs and copying cause significant harm to innovators, consumers, and the public, contrary to the purposes of the patent system. Design patents are carefully tailored to address that harm. Unlike other forms of intellectual property, design patents have relatively strict prerequisites and a comparatively short term of protection that tightly confine the scope of the property right. And the recognized standard for design patent infringement, that an accused product must be "substantially the same" as a valid design patent, further limits the remedy to cases where innocent infringement is extremely unlikely, especially compared to the standards Congress created for in-

fringement of other intellectual property rights. At the same time, design patents help to fill a gap in United States intellectual property law that allows companies to compete more effectively with their international rivals.

C. For the design patent system to work as Congress intended, there must be a robust and administrable remedy for infringement. Congress provided that remedy in the statutory "total profit" provision. The "total profit" remedy continues to be the most logical approach in the design arena because innocent design patent infringement is rare and unauthorized copying often quickly follows a new design, eroding an innovator's investment and profits. Requiring design patent owners to apportion their damages to the infringer's profit from the patented design would effectively render design patents a right without a remedy. It would remove a significant deterrent to infringement and open the doors to a marketplace flooded with knockoffs and copycats, removing incentives for American designers and companies to invest in innovative designs. And it would increase litigation and further burden the court system by emboldening intentional infringers and requiring courts to grapple with difficult questions of apportionment.

II. The traditional "total profit" rule is the correct interpretation of the remedy provision for design patents, 35 U.S.C. § 289. Not only does that interpretation flow from the text and structure of the statute, it addresses the specific concerns and policy that caused Congress to enact the provision. Unlike other statutes where Congress consciously designated a calibrated system of burden shifting to allow

courts to determine what part of an infringer's profits should be deducted from any recovery, Congress made a different choice for the limited remedy for design patent infringement. If the Court were to depart from the "total profit" rule, it would be importing a limitation that has no basis in the text, and would throw a settled area of intellectual property law into turmoil, which would in turn frustrate the expectations of innovators who have invested in design patents in reliance on a damages model that has been uniformly interpreted for more than a century. It would also create, for the first time in more than a century, a host of difficult questions of first impression that courts would have to resolve without guidance from Section 289's text.

ARGUMENT

I. EFFECTIVE DESIGN PATENT REMEDIES PROMOTE COMPETITION AND ENHANCE ECONOMIC EFFICIENCY

Companies increasingly compete in the competitive consumer product marketplace through design. Like any valuable property, proprietary designs deserve legal protection—and an effective remedy when they are misappropriated or infringed.

A. Innovative Design Promotes Competition

The basic goal of industrial design is "creating products and systems that optimize function, value and appearance for the mutual benefit of user and manufacturer." Industrial Designers Society of America, *What Is Industrial Design?*, http://www.idsa.org/education/what-is-industrial-

design (last visited June 7, 2016). Consistent with this philosophy, the "aesthetic appeal" of a product often is intimately tied to, and complements, its more "tangible characteristics." *Jay Franco & Sons, Inc. v. Franek*, 615 F.3d 855, 860 (7th Cir. 2010). When an aesthetic design is effectively and fully integrated into a consumer product, it can help that product to resonate with consumers on multiple levels.

A product's visual design can impart important information about the product itself. The design of a consumer good can convey information about its position in the marketplace vis-à-vis competing goods and sometimes "can serve as a source identifier" in many industries. *Krueger Int'l, Inc. v. Nightingale, Inc.*, 915 F. Supp. 595, 609 (S.D.N.Y. 1996) (Sotomayor, J.). A classic example is the market for automobiles, where "there is enormous competition that depends upon the body appearance of automobiles," *Chrysler Corp. v. Silva*, 118 F.3d 56, 57 (1st Cir. 1997), and where manufacturers use styling cues to differentiate among models, position their products relative to the competition, and appeal to consumers' aesthetic sensibilities.

Innovative design also helps to reinforce consumer impressions about a product's quality and functionality. This Court has acknowledged that "almost invariably, even the most unusual of product designs—such as a cocktail shaker shaped like a penguin—is intended not to identify the source, but to render the product itself more useful or more appealing." *Wal-Mart Stores, Inc. v. Samara Bros.*, 529 U.S. 205, 213 (2000).

Product design can also convey information about the consumer, serving as a form of expression by consumers who choose to associate themselves with a particular product. "An attractive product may be associated with high fashion and image and will likely create a strong sense of pride among its owners." Karl T. Ulrich & Steven D. Eppinger, *Product Design and Development* 213 (5th ed. 2012). On top of that, an item's distinctive design can ensure that "sophisticated buyers . . . have [an item] in mind as a unique product regardless of whether they know or remember the name of the . . . company that manufactures it." *Lon Tai Shing Co. v. Koch & Lowy*, No. 90 Civ. 4464, 1990 U.S. Dist. LEXIS 19123, at *29 (S.D.N.Y. Dec. 14, 1990). This is especially so in the consumer products market for footwear and apparel, where many consumers purchase goods not only for their functionality but also to make a fashion statement. *See, e.g.*, *Fruit of the Loom, Inc. v. Girouard*, 994 F.2d 1359, 1361 (9th Cir. 1993) (allegedly infringing garments were purchased "'for a fashion statement'" and not for "utilitarian purposes"). "While making social value judgments from product design, consumers are primarily thinking about themselves in relation to others. It can give consumers a sense of status or self-esteem through their perceptions of the impression they make during product usage." Minu Kumar & Charles H. Noble, *Beyond Form and Function: Why Do Consumers Value Product Design?*, 69 J. Bus. Res. 613, 616 (2015).

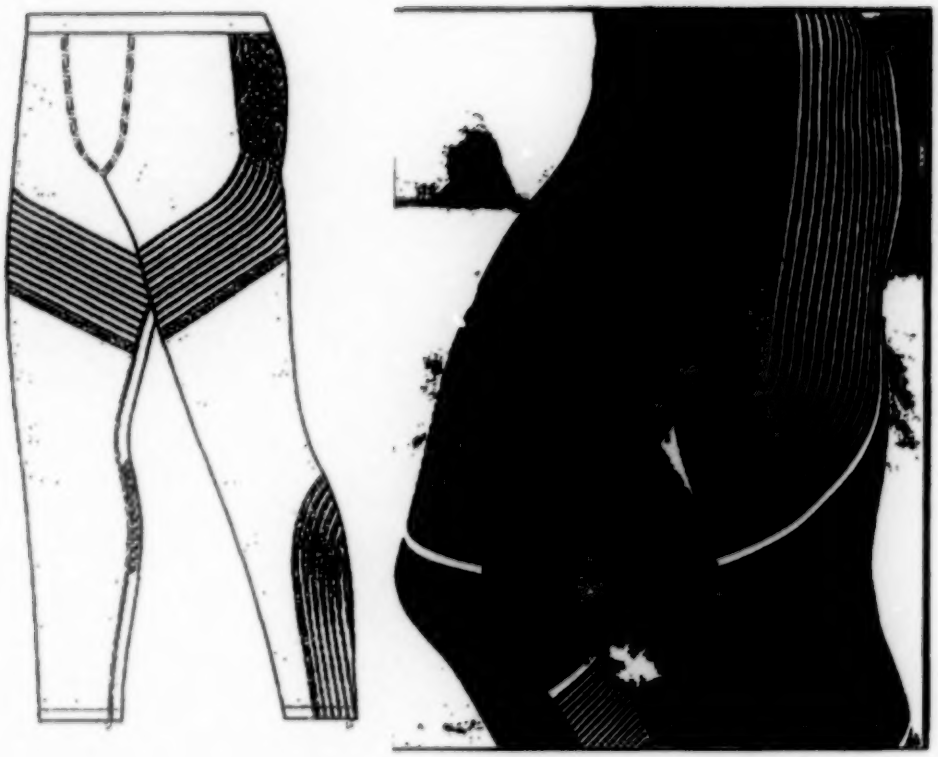
In the footwear and apparel market, consumers often choose products that help them make a visual statement about their personalities and who they as-

pire to be. Companies with strong brands, like Nike, "understand that their products must not only make a good impression, but should also be visually identifiable as *theirs*." Kim Goodwin, *Designing for the Digital Age* 331 (2009). Nike's protected designs, for example, help to convey one of Nike's brand missions: "To bring inspiration and innovation to every athlete in the world," and "[i]f you have a body, you are an athlete."

Significantly, patented designs frequently affect entire products and can be their "most distinctive feature." *W.T. Rogers Co. v. Keene*, 778 F.2d 334, 337 (7th Cir. 1985). This is particularly true in the footwear, equipment, and apparel industry, where a patented design can cover an entire product or a visually dominant feature of the product. The image depicted below, for example, shows a patented design featured on the Nike Ordem soccer ball.

U.S. Patent No. D697,566 (filed Aug. 30, 2013).

Similarly, the images depicted below show patented design elements featured in the Nike Power Speed tights.



U.S. Patent No. D750,348 (filed May 26, 2015).

The patented design element is likewise a striking visual element in Nike's Metcon footwear line:

U.S. Patent No. D722,425 (filed May 31, 2014).

Patented design elements such as these examples play a major role in communicating the perfor-

mance advantages and visually appealing aspects of Nike's products, distinguishing them from competitors' brands and contributing to a cohesive overall appearance. Patented designs also can push others to develop different designs, and thus promote competition that fuels a healthy market.

Each of these attributes of effective design has tremendous economic and competitive consequences for businesses. "The visual appearance of products is a critical determinant of consumer response and product success." Nathan Crilly et al., *Seeing Things: Consumer Response to the Visual Domain in Product Design*, 25 Design Stud. 547, 547 (2004). For this reason, leading companies seeking a competitive edge invest significant resources in researching and developing innovative designs. Those investments may include consultants, consumer surveys, marketing efforts, and investment in design professionals who can effectively communicate brand identity through cohesive visual themes. Companies may even prioritize "building and patenting a design that is more costly . . . but aesthetically more appealing." *Telebrands Direct Response Corp. v. Ovation Commc'ns, Inc.*, 802 F. Supp. 1169, 1173 (D.N.J. 1992) (internal quotation marks omitted).

At Nike, designers receive insights and information directly from athletes and use that information to drive Nike's innovative designs. Moreover, a team of design specialists reports directly to Nike's CEO—himself a former designer—to ensure that product design remains at the center of Nike's corpo-

rate strategy.[7] Nike's experience and successes over 50 years show the powerful role that skillfully executed product designs play in driving consumer demand, advancing marketplaces, and achieving a competitive edge.

B. Design Patents Enable Companies To Protect Their Investments In Innovative Design

1. Developing effective designs that resonate with consumers is neither easy nor cost-free. To the contrary, product design is a rigorous, iterative process requiring expertise and involving laborious trial and error. For every one design that achieves commercial success, numerous designs and design variations must be conceived and tested in the product development stage. *See, e.g.*, *Telebrands Direct Response Corp.*, 802 F. Supp. at 1173 (discussing this process). Most of those designs are never embodied in a commercial product, and it is often difficult or impossible to predict which designs ultimately will succeed and resonate with consumers, and which will not.

In contrast, it is very easy for competitors to copy innovative designs that *already* have been developed and marketed to the public. When a design appears in commerce, it is readily accessible to consumers and competitors alike. Unscrupulous copiers can wait on the sidelines to gauge market reaction to a competitor's innovative designs, and misappropriate

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[7] *See* Jeneanne Rae, *Design Can Drive Exceptional Returns for Shareholders*, Harv. Bus. Rev. (Apr. 4, 2014), https://hbr.org/2014/04/design-can-drive-exceptional-returns-for-shareholders/.

only those designs that achieve market success. In this manner, unauthorized copiers can avoid costs associated with developing original designs, and instead unfairly capitalize on the investments made by their competitors "at a fraction of the cost to the originator." *Brooktree Corp. v. Advanced Micro Devices, Inc.*, 977 F.2d 1555, 1562 (Fed. Cir. 1992). Such copying exploits the original designers' work and results in "[a]ctionable harm." *Ferrari S.P.A. Esercizio Fabriche Automobili E Corse v. Roberts*, 944 F.2d 1235, 1240 (6th Cir. 1991).

For design patents, the risk of innocent infringement is low. Aesthetic designs are an inexhaustible resource, and design patents, by definition, do not cover the utilitarian aspects of a product that may dictate appearance. *See Richardson v. Stanley Works, Inc.*, 597 F.3d 1288, 1293 (Fed. Cir. 2010). Hence, a competitor has abundant opportunity to create its own design aesthetic wholly apart from Nike's protected design. When a competing product bears an infringing ornamental design, it is likely the result of deliberate copying or willful infringement—a phenomenon all too common in the footwear and apparel industry, and especially true in today's athletic apparel market.

A total-profits damages regime helps to ensure that investments in innovative designs are properly incentivized and rewarded. "[M]any cases say that fashionable designs can be freely copied unless protected by patent law." *Jay Franco & Sons*, 615 F.3d at 860. Patents encourage investment in design and enable innovators to realize a return on their investment. This in turn fulfills Congress's constitutional duty to "promote the Progress of Science and

useful Arts" by securing limited exclusivity for inventors. U.S. Const. art. I, § 8, cl. 8. As Congress long ago recognized, property rights in original designs are "intimately related to material progress in the industrial arts" (S. Rep. No. 49-206, at 1 (1886)), and thus fall squarely within Congress's authority over patents.

Infringement of protected designs can lead to significant economic harm. On the innovator side, copying and infringement of protected designs can erode the innovator's return on its investment in those designs and frustrate the innovator's business expectations. The diversion of sales to an infringer most immediately harms the innovator's bottom line. Over time, that diversion can also adversely affect the innovator's brand and result in a shift of consumer preference away from the innovator's products. *See* Nike, Inc., Annual Report 73 (Form 10-K) (July 23, 2015).

Infringement and copying of protected designs also harms competition and the public good. The patent system reflects the recognition that the "public good fully coincides . . . with the claims of individuals" who conceive and disclose their patented inventions in exchange for a limited period of exclusivity. *The Federalist* No. 43, at 272 (James Madison) (Clinton Rossiter ed., 1961). Copying and infringement skews that system by allowing copiers to benefit from investments made by their rivals, a form of unfair and asymmetric competition that rewards illicit conduct and discourages investment and innovation. At the same time, copying and infringement can also erode the tax base and disrupt labor markets—significant public harms that call for a meaningful

deterrent. *See, e.g.*, Elizabeth Ferrill & Tina Tanhehco, *Protecting the Material World: The Role of Design Patents in the Fashion Industry*, 12 N.C. J.L. & Tech. 251, 259 (2011) ("As a result of the counterfeit and knockoff industry in 2004 alone—including all goods such as fashion, accessories, and multimedia—New York lost $1 billion tax revenue . . . .").

2. Design patent rights are carefully calibrated to achieve a balance between promoting innovation and deterring the harms associated with unfair competition. The elements required to establish and maintain design protection are in many cases stricter than those for other comparable intellectual property rights.

To obtain a design patent, an applicant must have a "new, original and ornamental design for an article of manufacture" that satisfies the other criteria for patentability, such as novelty and nonobviousness. 35 U.S.C. § 171; *see also id.* § 102(a). In contrast, trademarks need not even be original, so long as they serve to designate a specific source of goods or services to the consuming public. 15 U.S.C. § 1127. And the standard for protectability under copyright law is relatively low: Any "creative spark, no matter how crude, humble or obvious it might be," qualifies a work as sufficiently original to merit copyright protection. *Feist Publ'ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 345 (1991) (internal quotation marks omitted).

If the United States Patent and Trademark Office issues a design patent, the patent owner receives a statutory limited monopoly of only 15 years from the date of grant (or 14 years for applications filed

before May 13, 2015). 35 U.S.C. § 173; Patent Law Treaties Implementation Act of 2012, Pub. L. No. 112-211, § 102(7), 126 Stat. 1527, 1532 (effective May 13, 2015); 80 Fed. Reg. 17,918, 17,918 (Apr. 2, 2015). By comparison, copyrights and trademarks have much longer terms of protection, up to the life of the author plus 70 years or 95 or 120 years, depending on the nature of authorship for copyright (*see* 17 U.S.C. § 302(a)-(c)), and indefinitely for trademarks, as long as the trademark remains in "use" in commerce (15 U.S.C. § 1127). Congress also distinguished the term of design patents from the longer term for utility patents of 20 years from the date the application is filed. *See* 35 U.S.C. § 154(a)(2).

The validity of issued design patents can be challenged in an administrative "inter partes review" proceeding before the United States Patent and Trademark Office (35 U.S.C. § 311(a)), and in a "post-grant review" proceeding within nine months after a design patent issues (*id.* § 321). Post-grant agency review does not serve as an effective check in the same way for copyrights and trademarks, which do not entirely depend on registration. *See, e.g., Aftermarket Tech. Corp. v. Whatever It Takes Transmissions*, No. 3:00CV-326-R, 2003 U.S. Dist. LEXIS 27933, at *14, *55 (W.D. Ky. Aug. 12, 2003). Thus, for any design patents that issue with a broader scope than warranted, there are means for challenging those patents *before* questions of infringement arise.

The test to establish design patent infringement, moreover, is stricter than the tests to establish infringement of comparable intellectual property rights such as trademarks and copyrights. To establish in-

fringement of a design patent, the owner must establish that the defendant's product is "substantially the same" as the protected design. *Egyptian Goddess, Inc. v. Swisa, Inc.*, 543 F.3d 665, 668 (Fed. Cir. 2008) (internal quotation marks omitted). Under this standard, where the patented and accused designs are "sufficiently distinct" and "plainly dissimilar," there is no liability in the first place. *Id.* The owner of a trademark or claimed trade dress, in contrast, need only establish that there is a "likelihood of confusion" between the trademarks or trade dresses at issue. *See, e.g., KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111, 117-18 (2004). Similarly, a copyright owner may establish infringement even where there is no direct evidence of copying by establishing that there are enough substantial similarities to an available work to give rise to an inference of copying. *See, e.g., Whelan Assocs., Inc. v. Jaslow Dental Lab., Inc.*, 797 F.2d 1222, 1231-32 (3d Cir. 1986); *Selle v. Gibb*, 741 F.2d 896, 901-03 (7th Cir. 1984). For design patents, in contrast, plaintiffs have been unable to establish liability without demonstrating that the asserted patent and the accused product are "substantially the same" for over a century. *See Gorham Co. v. White*, 81 U.S. 511, 528 (1871).

Each of these features of design patents helps to ensure that the property right is tailored to the unique attributes of protected ornamental design. It is therefore critical in preserving the protections afforded by design patents that there is a robust and administrable remedy for infringement.

3. In the United States, it is notoriously difficult to protect apparel designs other than via design pa-

tents. Under the Copyright Act, for example, the test to determine which portions of apparel designs are and are not protectable has been described as "a mess—and it has been for a long time." *Varsity Brands, Inc. v. Star Athletica, LLC*, 799 F.3d 468, 496-97 (6th Cir. 2015) (McKeague, J., dissenting), *cert. granted*, No. 15-866, 2016 WL 98761 (U.S. May 2, 2016). Design patents provide an important protection not available under other intellectual property law.

Design patents also help to level the playing field between design innovators in the United States and those in other countries. Most developed countries recognize a distinct category of protection for apparel designs above and beyond the protections offered under their respective national copyright laws. *See generally* Leslie J. Hagin, *A Comparative Analysis of Copyright Laws Applied to Fashion Works: Renewing the Proposal for Folding Fashion Works into the United States Copyright Regime*, 26 Tex. Int'l L.J. 341 (1991).

By way of example, the European Union offers up to 25 years of statutory protection for fashion designs (*see* Council Regulation 6/2002, art. 12), and authorizes EU-wide injunctions against the sale of infringing goods, orders seizing infringing products or products used to make infringing products, and sanctions according to the laws of the member country in which the infringement occurred (*id.* art. 89). Japan's Design Law provides 20 years of protection for novel, creative, and unique designs (*see* Japan External Trade Organization, Setting up a Business in Japan § 5.7.2, *available at* https://www.jetro.go.jp/usa/protection-of-designs.html (last visited June 7,

2016)), and authorizes design owners to sue infringers under a negligence standard.[8] Canada's Industrial Design Act provides 10 years of protection for novel and aesthetic features on a useful article of manufacture (*see* Industrial Design Act, R.S.C. 1985, c I-9, §§ 5.1(a), 10), and authorizes remedies against infringement that include injunctive relief, damages or lost profit, punitive damages, and the destruction of the infringing products (*id.* § 15.1).

Design patents help to fill the gap between the limited legal protections for designs in the United States and the more comprehensive protections afforded by other industrialized nations. Effective legal rights against design patent infringement are therefore important in allowing companies like Nike that are based and do much of their design work in the United States to compete on an equal footing with international competitors in a growing global marketplace.

C. Effective And Enforceable Remedies Are Critical To Design Innovation And Economic Efficiency

Inherent in any system affording intellectual property rights is the need for appropriate remedies for infringement of those rights. In the United States, private stakeholders play an essential role in detecting infringement and enforcing intellectual property rights. Central to this legal regime is the existence of an effective and meaningful remedy.

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[8] Minako Mizuno, *From Filing to Registration of Design*, at 5-6 (Japan Patent Office Asia-Pacific Industrial Property Center 2006), http://www.training-jpo.go.jp/en/images_x/uploads/text_vtr/pdf/2-06.pdf.

Because the costs of detecting infringement and enforcing intellectual property rights are substantial, the holders of intellectual property rights must have an adequate incentive to incur those enforcement costs. For design patents, the "total profit" remedy serves that function.

Congress codified the "total profit" remedy at 35 U.S.C. § 289, which allows the patent owner to seek disgorgement of the infringer's "total profit" from sales of the article bearing the infringing design. By making available an award of the infringer's total profit, Congress ensured that design patent owners have an adequate economic incentive to police and enforce their intellectual property rights. Congress's remedy also provides legal certainty to the marketplace and relieves parties and courts of the frequently impossible burden of proving how much of an infringer's profit is attributable to the protected design element. In contrast, depriving patent owners of any meaningful recovery unless they can somehow quantify the portion of the infringer's profit attributable to the stolen design would lead to systematic underenforcement of design patent rights, a scenario that Congress long ago recognized would "virtually repeal the design patent laws." S. Rep. No. 49-206, at 1.

The scenario that Congress feared is particularly real in markets such as the footwear and apparel market, where products sell at a fast pace and in high volumes, where innocent infringers are rare, and where product lifecycles are short. In such markets, infringers can effectively divert innovators' profits by entering and exiting the market swiftly in hopes that innovators will not detect the infringement in time or find enforcement worth the cost.

Especially in such markets, an award of the infringer's total profit is a crucial bulwark against the non-enforcement of design patents. It is entirely appropriate that Congress would require the disgorgement of an infringer's "total profit" in such circumstances.

A robust remedy for design patent infringement serves as a meaningful deterrent for would-be infringers and helps to reduce the costs associated with infringing activity *ex ante*. If a would-be infringer faces the possibility of losing its "total profit" from sales of the article bearing the infringing design, it may be far less likely to copy the patented design in the first instance and may instead compete on the basis of alternative designs. *Cf. Kansas v. Nebraska*, 135 S. Ct. 1042, 1064 (2015) (compelling state to "disgorge profits" may "deter[]" future transgressions).

A robust remedy also serves the interests of judicial efficiency because in many instances an infringer will cease its infringing activity when it receives a pre-litigation notice from the patent owner. When patent owners are backed by a plausible threat of disgorging the infringer's total profit, potential infringement disputes are often quickly and efficiently resolved without the need to burden the courts and incur litigation expenses. *Cf. Wal-Mart Stores*, 529 U.S. at 214 (noting the deterrence effect from "the plausible threat of successful suit").

II. THE COURT SHOULD PRESERVE THE TRADITIONAL DISGORGEMENT REMEDY FOR DESIGN PATENT INFRINGEMENT UNDER SECTION 289

1. This Court "ordinarily resist[s] reading words or elements into a statute that do not appear on its face." *Bates v. United States*, 522 U.S. 23, 29 (1997). Here, Section 289's remedy provision is straightforward and unambiguous. At the patent owner's option, a design patent infringer "shall be liable to the owner to the extent of his total profit" from sales of "any article of manufacture" to which the infringer "applies the patented design, or any colorable imitation thereof." 35 U.S.C. § 289. This provision supplements, and extends, the standard remedy provided under 35 U.S.C. § 284, which authorizes an award of damages for infringement in the amount of a "reasonable royalty" or the patent owner's lost profit—*i.e.*, the amount of money the patent owner lost due to the infringement. Congress enacted the "total profit" remedy in 1887 (*see generally* Act of Feb. 4, 1887, ch. 105, 24 Stat. 387); and by retaining that remedy through the past century, despite numerous revisions to the Patent Act, Congress deliberately sought to retain a traditional disgorgement remedy for design patents. *See Bergstrom v. Sears, Roebuck & Co.*, 496 F. Supp. 476 (D. Minn. 1980) ("In 1946, and again in 1952, Congress left the 'total profit' remedy for design patent infringement untouched, even while eliminating infringer profits as a remedy for infringement of utility patents and removing the requirement of knowing infringement."); *see also* Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) (overhauling patent law

without amending the total profit rule for design patent damages). "Any re-calibration" of that remedy therefore "remains in [Congress's] hands." *Microsoft Corp. v. i4i Ltd. P'ship*, 564 U.S. 91, 114 (2011).

The longstanding interpretation and application of Section 289 fits comfortably within the overall structure of the Patent Act. A design patent owner may choose to recover *either* (1) damages in the form of the owner's lost profit or a reasonable royalty under Section 284, as well as treble damages in the event of willful infringement; *or* (2) the infringer's "total profit" under Section 289, *or* (3) $250 in statutory damages under Section 289. *See Catalina Lighting, Inc. v. Lamps Plus, Inc.*, 295 F.3d 1277, 1291 (Fed. Cir. 2002). The decision among these options will depend upon which provides the greatest relief and is most amenable to proof in an individual case. Section 284 expressly requires apportionment to reflect "the value attributable to the infringing features of the product," *Ericsson, Inc. v. D-link Sys., Inc.*, 773 F.3d 1201, 1226 (Fed. Cir. 2014), but it also offers treble damages, which in many instances will exceed the profit available under Section 289. *See* 35 U.S.C. § 284. Section 289, on the other hand, allows the patent owner to avoid apportionment by seeking disgorgement of the infringer's "total profit," but notably withholds the trebling relief otherwise available in cases where deliberate copying or misappropriation is shown. *See Catalina Lighting*, 295 F.3d at 1291 (unlike Section 284, Section 289 "has no provision for enhanced damages").

2. Congress's intention that "total profit" means "total profit" becomes even clearer when Section 289 is contrasted with the comparable provisions availa-

ble to owners of utility patents, trademarks, and copyrights.

For each of these other intellectual property rights, Congress clearly and carefully enumerated specific apportionment mechanisms absent from Section 289. Utility patent owners are entitled to "damages adequate to compensate for the infringement," "in no event less than a reasonable royalty." 35 U.S.C. § 284. Under that regime, damages for infringement "must reflect the value attributable to the infringing features of the product, and no more." *Ericsson*, 773 F.3d at 1226. A copyright owner may opt to recover, *inter alia*, an infringer's profit under 17 U.S.C. § 504. Yet unlike the "total profit" awarded under Section 289, Congress enumerated a very specific procedure for limiting an award of profit: The copyright owner need only "present proof . . . of the infringer's gross revenue," and then the infringer is "required to prove his or her deductible expenses and the elements of profit attributable to factors other than the copyrighted work." 17 U.S.C. § 504(b). Finally, the profit award available for trademark infringement under 15 U.S.C. § 1117 operates similarly: In "assessing profits the plaintiff shall be required to prove defendant's sales only" and the "defendant must prove all elements of cost or deduction claimed." *Id.* § 1117(a). Under that framework, "it is the infringer's burden to prove any proportion of his total profits which may not have been due to use of the infringing mark." 5 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 30:65 (4th ed. 2016).

These various apportioned remedies are far better suited to utility patents, copyrights, and trade-

marks than to design patents. Engrafting them onto the design patent system would be inefficient and would contravene Congress's clear intent. As Congress recognized, the value of an aesthetic feature protected by a design patent often will be subjective and difficult to quantify because the feature is impressionistic or incorporated into the appearance of the product as a whole. S. Rep. No. 49-206, at 1; *see also, e.g.*, *Nike, Inc. v. Wal-Mart Stores, Inc.*, 138 F.3d 1437, 1440-43 (Fed. Cir. 1998) (analyzing the history of the Patent Act and concluding that "[t]he additional remedy created in 1887 for design patents was enacted to overcome the allocation problem for designs, and did not deplete the remedies available for either utility or design patent infringement").

Congress's plan worked: For more than a century, courts have interpreted and applied Section 289 according to its plain terms. The resulting "total profit" awards have not been difficult to administer and have not led to unforeseen problems or unjustified damages awards. To the extent that interested parties believe that the traditional "total profit" rule should be modified, those policy arguments (though unpersuasive in any event) are more properly directed to Congress.[9]

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[9] Congress might well have chosen to hold the infringer accountable for the amount of its "total sales" of the article bearing the infringing design, but instead limited the remedy to disgorgement of the infringer's unjust enrichment, or total profit. This again shows that the "total profit" remedy is crafted to reflect Congress's *own* "apportionment"—that is, by providing for recovery of the infringer's ill-gotten gains but not for gross revenues that do not increase the infringer's bottom line.

3. It is thus clear from Section 289's text, its history, and its differences from other statutes that Section 289 does not permit any apportionment of the defendant's "total profit." But even if the Court were inclined to displace the simple and administrable "total profit" rule, imposing a scheme of apportionment would give rise to a tangle of difficult questions of first impression that cannot be answered by resort to Section 289's text.

Even commentators who argue that Congress (or the courts) should abandon the "total profit" rule acknowledge that identifying the portion of an infringer's profit "attributable" to a patented design would be difficult. *See, e.g.*, Mark A. Lemley, *A Rational System of Design Patent Remedies*, 17 Stan. Tech. L. Rev. 219, 237 (2013) ("Calculating how much [a single design element] adds to a [product] won't be easy . . . ."). Yet courts would not only have to make the ultimate determination of apportioned profit, but also establish a framework within which parties would bring the relevant evidence. Determining a "reasonable royalty" for utility patents is difficult enough; that process typically requires expert testimony, and damages experts are frequently excluded under *Daubert* for performing erroneous or unreliable apportionments. It would be even more difficult to engage in apportionment for design patents, as design patents have not been the subject of extensive economic or judicial analysis and are not frequently the subject of licensing agreements that might shed light on industry norms. And the only beneficiaries of this new rule would be adjudicated infringers of design patents, who would inevitably draw courts into the complex task of evaluating what

portion of the profits of infringing products are attributable to infringing design, in effect, allowing infringers to negotiate the royalty for their theft after infringement has been established.

It is clear from the legislative history that Congress did not intend that design patent holders would shoulder the full burden of any apportionment. When Congress designed the remedy now enshrined in Section 289, it was responding to the specific problem of apportioning the value of a product derived from a protected design. Congress recognized that requiring design patent holders to attribute damages precisely and specifically to the patented design would leave them "without a remedy" in the vast majority of cases of infringement. S. Rep. No. 49-206, at 1; *see also, e.g.*, *Nike*, 138 F.3d at 1440-43 (discussing the history of the Patent Act). Congress therefore enacted the "total profit" remedy to *avoid* the inefficiencies and unintended outcomes associated with requiring patent owners to apportion their damages.

While one alternative could be for the Court to consider a burden-shifting regime akin to those found in other intellectual property statutes discussed above prescribing awards of defendants' profits attributable to copyright and trademark infringement, those statutes (unlike Section 289) actually contain text setting out how the burden-shifting under those laws should operate. *See* 17 U.S.C. § 504(b) (copyright); 15 U.S.C. § 1117(a) (trademark). The Court would be crafting its preferred mechanism of proof without any textual hook on which to hang its handiwork. But even putting that aside, difficult and unanticipated questions still arise even where

Congress has prescribed a framework. *See, e.g.*, *Balsley v. LFP, Inc.*, 691 F.3d 747, 767-70 (6th Cir. 2012) (describing difficulty among courts of appeals in properly defining what a plaintiff must do to prove "gross revenue" under 17 U.S.C. § 504(b)). Here, for instance, the Court likely would need to articulate the evidentiary burden a defendant must carry to rebut a presumption that all of its profits are attributable to infringement. Assuming that anything less than "total profit" can be squared with the statute, a party seeking to reduce that amount must "bear[] a heavy burden of persuasion." *Microsoft*, 564 U.S. at 102 (internal quotation marks omitted).

The absence of any text in Section 289 or any historical precedent to guide courts in answering such questions is a powerful reason for the Court not to depart from the traditional interpretation. The inevitable uncertainty as courts and litigants test the boundaries of the new damages regime would frustrate existing investment-backed expectations and discourage future investments in innovative design. Design is a significant driver of economic growth and an important component of the United States' competitive position in the global economy. Weakening statutory protections for design patents—and destabilizing them by departing from decades of clear statutory text—would weaken the United States' international trade in ways that cannot be predicted.

***

Design patents provide narrow but important intellectual property rights for innovators seeking to protect their creative endeavors. Innovative companies within product-driven industries, such as Nike,

have invested, and continue to reinvest, significant resources securing design patents in the expectation that there is a clear, robust and administrable remedy when those rights are infringed. In order to benefit competition and the public good, the Court should uphold the longstanding interpretation of Section 289's "total profit" remedy.

CONCLUSION

For the foregoing reasons, Nike respectfully requests that the Court confirm that the proper measure of damages for infringement of a design patent is the infringer's total profit from sales of the article of manufacture bearing the infringing design.

Respectfully submitted.

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Supreme Court of the United States

SAMSUNG ELECTRONICS CO., LTD., *et al.*,

Petitioners,

v.

APPLE INC.,

Respondent.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF OF NORDOCK, INC. AS *AMICUS CURIAE* IN SUPPORT OF RESPONDENT

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TABLE OF CONTENTS

Page

TABLE OF CONTENTS i

TABLE OF CITED AUTHORITIES iv

INTEREST OF *AMICUS CURIAE* 1

SUMMARY OF ARGUMENT 2

ARGUMENT 4

I. Meaning Of Term "Article Of Manufacture" In Design Patent Statutes Prior To The Patent Act Of 1952 4

A. 35 U.S.C. §171 5

1. Designs Applied To Multi-Component Articles 5

2. Designs Applied To A Portion Of An Article 8

3. Patent Office Classification Systems And Importance Of Design Patent Title 10

B. 35 U.S.C. §289 13

C. The Term "Article of Manufacture" Should Be Interpreted Consistently 16

Table of Contents

Page

II. Legislative Reenactment Doctrine Does Not Apply For Construing The Term "Article of Manufacture" In §§171 And 289 18

A. Phrase "Any Article Of Manufacture For The Purpose Of Sale" Is Plain. ...18

B. Requirements To Apply Doctrine Are Not Met.. .... .19

1. Prior To The Act Of 1952, There Was No Judicial And Administrative Consensus Of The Term "Article Of Manufacture" Consistent With The Government's Position.....20

2. Congressional Record For The Patent Act Of 1952 Does Not Evidence An Intent To Use The Doctrine To Alter Meaning Of Term "Article Of Manufacture".....21

III. Long-Standing, Dominant Companies In An Industry Tend To Infringe Design Patents Of Smaller Companies Entering Their Industry With A Distinctive And Favorable Product Design.... 23

Table of Contents

Page

IV. Should This Court Incorporate The Government's Four Factors Into The Totality Of The Circumstances Test To Determine The "Article Of Manufacture" Under §289, This Court Should Consider Several Additional Factors ..... **..25**

CONCLUSION .... .30

TABLE OF CITED AUTHORITIES

Page

CASES

Apple Inc. v. Samsung Elecs. Co.,
786 F.3d 983 (Fed. Cir. 2015) 18, 19, 26

Ass'n of Am. R.R.s v. Interstate Commerce Comm'n,
564 F.2d 486 (D.C. Cir. 1977) 21

Bergstrom v. Sears, Roebuck & Co.,
496 F. Supp. 476 (D. Minn. 1980) .. .. .21

Bernardo ex rel. M & K Eng'g, Inc. v. Johnson,
814 F.3d 481 (1st Cir. 2016), *cert. denied*,
84 U.S.L.W. 3508 (2016)..... .....19, 20

Brown v. Gardner,
513 U.S. 115 (1994) . .. .19

Bruesewitz v. Wyeth LLC,
562 U.S. 223 (2011).. ... .20

Chandler Adjustable Chair & Desk Co. v. Heywood Bros. & Wakefield Co.,
91 F. 163 (D. Mass. 1898).....6

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348 U.S. 426 (1955). ... .21

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Page

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478 U.S. 833 (1986) 20

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498 U.S. 184 (1991) 18-19

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118 U.S. 10 (1886) 9

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114 U.S. 439 (1885) 9

Duncan v. Walker,
533 U.S. 167 (2001) 13

Ex parte Cady,
1916 Dec. Comm'r Pat. 57,
232 Off. Gaz. Pat. Office 619 11

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194 Off. Gaz. Pat. Office 549 11

Ex parte Gibson,
20 U.S.P.Q. 249 (Pat. & Tr. Office Bd. App. 1933) ... 8

Ex parte Klemm & Schreiber,
1915 Dec. Comm'r Pat. 9,
218 Off. Gaz. Pat. Office 603 7

Cited Authorities

Page

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1914 Dec. Comm'r Pat. 69,
204 Off. Gaz. Pat. Office 1346 6

FDA v. Brown & Williamson Tobacco Corp.,
529 U.S. 120 (2000). 16

Gorham Co. v. White,
81 U.S. (14 Wall.) 511 (1871). 9

Graff, Washbourne & Dunn v. Webster,
189 F. 902 (E.D.N.Y. 1911) 10

Graff, Washbourne & Dunn v. Webster,
195 F. 522 (2d Cir. 1912). 10

Helvering v. Stockholms Enskilda Bank,
293 U.S. 84 (1934) 16

Henry Hanger & Display Fixture Corp. of Am. v. Sel-O-Rak Corp.,
270 F.2d 635 (5th Cir. 1959) 21

In re Hadden,
20 F.2d 275 (D.C. Cir. 1927) 7

In re Koehring,
37 F.2d 421 (C.C.P.A. 1930) 8, 15

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270 F.2d 391 (C.C.P.A. 1959). 12

Cited Authorities

Page

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46 F.2d 203 (C.C.P.A. 1931) 8, 11, 16

In re Zahn,
617 F.2d 261 (C.C.P.A. 1980) 8-9

Jama v. Immigration & Customs Enf't,
543 U.S. 335 (2005) 19, 20

King v. Burwell,
135 S. Ct. 2480 (2015) 16

Lorillard v. Pons,
434 U.S. 575 (1978) 19, 22

Merck & Co. v. Reynolds,
559 U.S. 633 (2010) 20

Nordock, Inc. v. Systems Inc.,
803 F.3d 1344 (Fed. Cir. 2015), *petition for cert. pending*, No. 15-978 (filed Jan. 28, 2016) . . 23, 24, 25-26

Pierce v. Underwood,
487 U.S. 552 (1988) 19

Schnadig Corp. v. Gaines Mfg. Co.,
620 F.2d 1166 (6th Cir. 1980) 21

Setser v. United States
132 S. Ct. 1463 (2012) 13

Cited Authorities

Page

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475 U.S. 851 (1986) 16

TRW Inc. v. Andrews,
534 U.S. 19 (2001) 13

United States v. Calamaro,
354 U.S. 351 (1957) 22

United States v. Menasche,
348 U.S. 528 (1955) 13

United States ex rel. Steinmetz v. Allen,
22 App. D.C. 56 (D.C. Cir. 1903) 12

Untermeyer v. Freund,
58 F. 205 (2d Cir. 1893) 16, 21

STATUTES

Act of Feb. 4, 1887, ch. 105, 24 Stat. 387 ..... *passim*

Rev. Stat. §4929 (1878) 6, 8, 11, 16

Patent Act of 1952:

35 U.S.C. § 171 ..... *passim*

35 U.S.C § 284 ..... 23, 24

35 U.S.C. § 289 ..... *passim*

Page

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ADMINISTRATIVE REGULATIONS

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§17-4 (original ed. 1948) 12

§1503.01 (1st ed. Nov. 1949) 12

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§1503.01 (1st ed. Rev. 3, May 1952) 12

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Page

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Page

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INTEREST OF *AMICUS CURIAE*[1]

Nordock, Inc. ("Nordock") is the respondent to a petition for writ of certiorari filed by Systems, Inc. ("Systems") that is presently before this Court regarding design patent infringement damages under §289. (Court Docket 15-978).

Nordock was founded in 2001 as a small startup company in a mature dock leveler industry. Unbound by the constraints of a large company, its founder and president created and introduced a line of dock levelers with several new and innovative features, including a new and ornamental front end design that distinguished its levelers from other manufacturers. Nordock filed a patent application with the United States Patent and Trademark Office ("Patent Office") disclosing these new features. The application resulted in the issuance of three patents, including a design patent.

Systems was founded in 1961, and is one of three companies that dominate the dock leveler industry. Since the 1960s, Systems made and sold dock levelers with a non-distinctive front end design commonly used by others in the industry. In 2005, Systems introduced an infringing dock leveler with Nordock's innovative front end design.

---

1. No counsel for a party authored the brief in whole or in part, and no such counsel or party made a monetary contribution intended to fund the preparation or submission of the brief. No person other than the amicus curiae or its counsel made a monetary contribution to its preparation or submission. The Petitioner has filed a blanket consent and the consent of the Respondent is being submitted herewith.

Nordock is a voice for smaller startup companies with new product designs entering a mature industry dominated by larger companies. Nordock is also a voice for companies that lead an industry in obtaining design patent protection for a new design for a particular type of product.

SUMMARY OF ARGUMENT

Both the Federal Circuit and government propose a totality of the circumstances test to determine an "article of manufacture" for assessing defendant's total profit under §289. This is sound law. Should a defendant, found to infringe a valid design patent, believe the article of manufacture is less than the product it sold, the defendant has ample opportunity to put forth evidence and testimony at trial establishing this for the fact finder.

The Federal Circuit's decision considers whether the portion of the product containing the patented design is sold separately. This factor is susceptible to abuse by savvy or unscrupulous manufacturers if it is adopted as a bright-line test for determining the "article of manufacture" under §289. For example, take the situation where a manufacturer has sold a product welded together for the past 50 years. That manufacturer can adopt a patented design, but now offers the component containing the patented design either welded or bolted onto the product. While 98% of its customers may continue to buy the product welded together, 2% of its customers may, possibly as a favor to the manufacturer, buy the product with the component bolted onto the product. The savvy manufacturer could then advertise the bolted feature as a way to replace the component should it become damaged,

and offer to sell the infringing design separately to the limited number of customers that bought the bolted version of the product. The plain wording of the federal design patent statutes do not require a sold separately bright-line test to determine the "article of manufacture" for assessing defendant's total profits under §289. Yet, if adopted as a bright-line test, the "sold separately" test could defeat Congress' intended purpose of enacting the design patent enforcement statute.

The government proposes a totality of the circumstances test based on four specific factors. Each of these factors can be enlightening for determining the appropriate "article of manufacture" under §289. Yet, by its very nature, a totality of the circumstances test should not be limited to a four factor test. Additional appropriate factors should be available to the fact finder based on the totality of the circumstances of a particular case. The Patent Office reviews design patent applications to ensure they comply with the article of manufacture requirement under §171. The Patent Office also conducts a search of relevant prior art and lists these search fields and references on the cover of the design patent. The search fields and listed references serve as a public notice, and in certain situations, can be enlightening in determining the appropriate scope of the article of manufacture. Additional marketing and sales factors can also lend guidance to determine the appropriate article of manufacture to which the design is applied. These marketing factors are consistent with the phrase "for the purpose of sale" in the enforcement statute.

As a small startup company with a new product design entering an established industry that was and is

dominated by three large companies, Nordock can speak to the difficulty in establishing its product identity, and the harm caused by a larger company that applies the smaller company's design to its product. Limiting the monetary harm to a reasonable royalty or apportioned total profits, will allow a savvy manufacturer to reap where it has not sown. As Congress stated when discussing the enforcement statute in the Act of 1887, such an interpretation renders design patents a right without a remedy.

Allowing a defendant in design patent litigation to present evidence demonstrating that the "article of manufacture" is less than the entire product it sells is sound law, and the Federal Circuit's decision in the *Apple* case should be upheld. This Court should endorse the totality of the circumstances test required by the Federal Circuit decision. However, if this test is to include the list of four factors proposed by the government, the list should include additional factors as described herein.

ARGUMENT

I. Meaning Of Term "Article Of Manufacture" In Design Patent Statutes Prior To The Patent Act Of 1952

The term "article of manufacture" is found in both 35 U.S.C. §§171 and 289 of the Patent Act of 1952.[2] Both statutes apply specifically to design patents. Section 171 pertains to the Patent Office review and issuance of design patents. Section 289 pertains to the enforcement of design patents.

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2. The term "article of manufacture" is not in any other section of the Patent Act of 1952.

A. 35 U.S.C. §171

Well before the Patent Act of 1952, judicial and Patent Office decisions confirmed that the term "article of manufacture" included multi-component articles, and that a design can be applied to a portion of an article of manufacture.

1. Designs Applied To Multi-Component Articles

In the 1870s, the Patent Office issued Design Patent Nos. D6,822, D10,778, D10,870 and D11,074 for various designs applied to carpeting. Carpeting is a multi-component product formed from dyeing and weaving pile into a primary backing, applying bonding agents, securing the pile in place with a secondary backing, and applying protective coatings, etc. *Carpet*, How Products Are Made, http://www.madehow.com/Volume-2/Carpet.html (last visited Aug. 2, 2016); *Carpet Terms and Terminology You Should Know*, World Floor Covering Association, http://www.wfca.org/Pages/Carpet-Terms.aspx (last visited Aug. 2, 2016).

In 1879, the U.S. Patent Office issued Design Patent No. D11,023 to Auguste Bartholdi for the ornamental design embodied in the Statue of Liberty. The patent for this iconic design lists the following eight components: a female figure, stola, tunic, torch, tablet, crown, diverging rays representing a halo, and pedestal. Not counting its pedestal, the monument was assembled from 350 individual pieces shipped from France. The monument stands 305 feet tall, and was dedicated on October 28, 1886 along with a national celebration. *Statue History*, The Statue

of Liberty-Ellis Island, http://www.libertyellisfoundation.org/statue-history (last visited Aug. 2, 2016). The Lady Liberty portion of the monument was assembled while Congress deliberated the Act of 1887. "Its design and construction were recognized at the time as one of the greatest technical achievements of the 19th century and hailed as a bridge between art and engineering." *Statue of Liberty*, UNESCO World Heritage Centre, http://whc.unesco.org/ en/list/307 (last visited Aug. 2, 2016).

In 1897, the Office issued Design Patent No. D27,272 for the ornamental design applied to a multi-component furniture support with moving parts. When a defendant asserted that Rev. Stat. §4929 (the precursor of §171) does not permit a design patent for an article of manufacture with moving parts, a district court stated as follows:

> I am of the opinion that such a construction of the statute calls for an unwarranted and unreasonable limitation of the terms "manufacture" and "any article of manufacture," and leads to absurd and unjust results.

Chandler Adjustable Chair & Desk Co. v. Heywood Bros. & Wakefield Co., 91 F. 163, 163 (D. Mass. 1898).

In 1914, Assistant Commissioner Newton of the Patent Office found that a pitcher with a detachable top was entitled to design patent protection. *Ex parte Sanford*, 1914 Dec. Comm'r Pat. 69, 204 Off. Gaz. Pat. Office 1346. That same year, Assistant Commissioner Newton also found a multi-component chair with moving parts entitled to design patent protection, and stated as follows:

> There seems to be no good reason for laying down a hard and fast rule that design patents cannot be granted to cover devices with relatively movable parts. It is a well-known fact, for example that carriage, buggy, and automobile builders are constantly striving to produce graceful and pretty designs for carriages, buggies, and automobiles as entireties, including the wheels. Pump-makers exercise as much invention in producing new and artistic designs for pumps, including their relatively movable handles, as do stoneworkers in producing new designs for tombstones. According to sound principles of construction, the design statute should not be so construed as to deny protection to the former and extend it to the latter unless its terms are clearly to that effect, and they are not.

Ex parte Klemm & Schreiber, 1915 Dec. Comm'r Pat. 9, 10, 218 Off. Gaz. Pat. Office 603, 603.

In 1927, the Court of Appeals of the District of Columbia found that an assembled grandstand was an article of manufacture, and thus entitled to design patent protection. *In re Hadden*, 20 F.2d 275, 275-76 (D.C. Cir. 1927). This court decision is consistent with the issuance of Design Patent No. D11,023 for the Statue of Liberty 48 years earlier.

In 1930, the Court of Customs and Patent Appeals found that an ornamental design applied to a concrete mixer truck was patentable. The court stated:

> Upon the proposition as to what is "an article of manufacture," within the meaning of the design patent law, there have been many decisions of the Patent Office and the courts, some of which are apparently in conflict, but it is readily observable that it has become the settled law that tools and mechanisms which are patentable because of their utilitarian qualities may also properly be the subject-matter for design patents if they possess certain qualities which the law requires.

In re Koehring, 37 F.2d 421, 422 (C.C.P.A. 1930).

In 1933, the Patent Office Board of Appeals found that the Office had not consistently followed the doctrine that a design patent should be limited to a one-part single article of manufacture. *Ex parte Gibson*, 20 U.S.P.Q. 249, 250 (Pat. & Tr. Office Bd. App. 1933). The Patent Office has interpreted *Ex parte Gibson* to mean that "[w]hile the claimed design must be embodied in an article of manufacture as required by 35 U.S.C. 171, it may encompass multiple articles or multiple parts within that article. MPEP §1504.01(b) (9th ed., Rev. 07.2015, Oct. 2015).

2. Designs Applied To A Portion Of An Article

Before the Act of 1887, design patents were issued for a portion of an article of manufacture. The focus of §4929 and §171 is on a design "for an article of manufacture." The word "for" in §4929 and §171 indicates that the design is not the article of manufacture itself, but rather the design "APPLIED" to the article of manufacture. *In re Schnell*, 46 F.2d 203, 208 (C.C.P.A. 1931); *see also In re*

Zahn 617 F.2d 261, 269 (C.C.P.A. 1980). Nothing in §171 requires the design to be applied to the entire article of manufacture. The design patents in the *Dobson* cases are an example of this. *Dobson v. Dornan*, 118 U.S. 10 (1886); *Dobson v. Hartford Carpet Co.*, 114 U.S. 439 (1885) [hereinafter *Dobson* or Carpeting cases]. The ornament applied to carpeting appears on the surface of the piling, not necessarily the entire piling, and certainly not its backing and secondary backing.

In 1871, the Patent Office issued Design Patent No. D1,440 for a design applied to a spoon and fork handle – a portion of the utensils. This Court considered this patent when determining that the patent had been infringed. *Gorham Co. v. White*, 81 U.S. (14 Wall.) 511 (1871). The Court's *Gorham* decision was incorporated by reference in the House Report for the Act of 1887, which reads as follows:

> The bill has reference to an infringement by the use of the design patented or of any colorable imitation thereof. The last phrase does not extend the present rule as to what constitutes infringement of a design patent, but merely expresses and adopts it. (See Gorman [sic] Manufacturing Company vs. White, 14 Wallace Reports.)

H.R. Rep. No. 49-1966 at 1 (1886), *reprinted in* 18 Cong. Rec. 834 (1887). This Court's *Gorham* decision has stood as the test for infringement in design patent cases from 1871 through today.

In 1909, the Patent Office issued Design Patent No. D39,992 for a design applied to the border of a dish, and Design Patent No. D40,009 for a portion or border-section of that design. In 1911, a trial court found both patents valid and infringed. *Graff, Washbourne & Dunn v. Webster*, 189 F. 902, 910 (E.D.N.Y. 1911). The Second Circuit upheld the finding of infringement, with validity not being contested on appeal. *Graff, Washbourne & Dunn v. Webster*, 195 F. 522, 524-25 (2d Cir. 1912).

3. Patent Office Classification Systems And Importance Of Design Patent Title

In 1913, Commissioner Moore stated the following distinction between a design patent for a "configuration" applied to an article of manufacture and a design patent for surface "ornament" applied to an article of manufacture.

> Where a design is for the form or configuration or involves the relative proportions of parts of an article of manufacture, said **article of manufacture must necessarily be disclosed in the application**. Where, however, as in the present case, the design is for an ornament adapted to be applied to any article of manufacture, I fail to find in the statute any requirement that the applicant shall disclose this design as applied to some particular definite article of manufacture, as required by the Examiner.

> Although the fact, as stated by the Examiner, that the present **system of classification** is dependent upon a disclosure by the applicant of the article of manufacture upon which the design is affixed is entitled to due weight, the question of granting an applicant a patent affording him all the protection to which he is entitled under the statute is paramount to the question of **classification**.

Ex parte Fulda, 1913 Dec. Comm'r Pat. 206, 209-10, 194 Off. Gaz. Pat. Office 549, 550-51 (emphasis added).

In 1916, Assistant Commissioner Clay, in reference to §4929, stated that the word "an" in the statute "requires the applicant to specify some one particular article of manufacture to which he [or she] has applied the design . . . ." *Ex parte Cady*, 1916 Dec. Comm'r Pat. 57, 61, 232 Off. Gaz. Pat. Office 619, 621. The Assistant Commissioner explained that the statute required the identification of a specific article (e.g., a doll) to which the design is applied, and that it is for the courts to decide if other types of articles (e.g., dinner-card, bean-bag, paper-weight) infringe the patent. This reversed the portion of *Ex parte Fulda* finding that a design patent for a surface ornamentation did not need to specify a specific article of manufacture. This Patent Office practice was further modified to allow a more general identification of the article of manufacture for a design patent covering a surface ornament (e.g., glassware), provided the design patent included drawings showing the design applied to more than one article (e.g., saucer, etc.). *In re Schnell*, 46 F.2d at 821-22.

The Patent Office published its original Manual of Patent Examining Procedure ("MPEP") in 1948. This original MPEP included a Section 17 entitled Design Patents. Section 17-4 states in Rule 20.3 that "[t]he title of the design must designate the specific article for which the design has been invented." Section 17-4 further states:

> The most important thing is the title. This serves to identify the article in which the design is embodied and which is shown in the drawing, by the name generally used by the public.

MPEP §17-4 (original ed. 1948).

Between November 1949 and May 1952, the Patent Office published a first edition of the MPEP, and three subsequent revisions. Each of these publications included a Section 1503.01 entitled "Specification and Claims," which states in part as follows:

> The title is of great importance in a design application. It serves to identify the article in which the design is embodied and which is shown in the drawing, by the name generally used by the public.

MPEP §1503.01 (1st ed. Nov. 1949); MPEP §1503.01 (1st ed. Rev. 1, Nov. 1950); MPEP §1503.01 (1st ed. Rev. 2, Dec. 1951); MPEP §1503.01 (1st ed. Rev. 3, May 1952). The rules of the Patent Office have the force and effect of the law unless they are inconsistent with statutory provisions. *In re Rubinfield*, 270 F.2d. 391, 395 (C.C.P.A. 1959) (citing *United States ex rel. Steinmetz v. Allen*, 22 App. D.C. 56, 66 (D.C. Cir. 1903)).

Thus, based on the history of 35 U.S.C. §171, when Congress enacted the Patent Act of 1952, it would have been aware that the term "article of manufacture" included multi-component articles, that a design can be applied to a portion of an article of manufacture, and that the title of a design patent should state the article of manufacture by the name generally used by the public.

B. 35 U.S.C. §289

As the parties' briefs state, Congress' reaction to the *Dobson* carpet cases was the impetus for the 1887 Act. Pet. Br. at 12; Resp. Br. at 17. Congress intended the Act to be "preventive" in character so as to stop would-be infringers from paying a little for the privilege of violating the law to earn much more. H.R. Rep. No. 49-1966 at 3. No judicial or administrative decision states otherwise.

The focus of §289 is on applying the design "to any article of manufacture for the purpose of sale." 35 U.S.C. §289. Given the phrase "for the purpose of sale," the focus is clearly on a design applied when the article is advertised and sold. This Court has long held that "[i]t is 'a cardinal principle of statutory construction' that 'a statute ought, upon the whole, to be so construed that, if it can be prevented, no clause, sentence, or word shall be superfluous, void, or insignificant.'" *TRW Inc. v. Andrews*, 534 U.S. 19, 31 (2001) (quoting *Duncan v. Walker*, 533 U.S. 167, 174 (2001)). The interpretive rule requires this Court to "'give effect to every clause and word' of the Act." *Setser v. United States*, 132 S. Ct. 1463, 1470 (2012) (quoting *United States v. Menasche*, 348 U.S. 528, 538-39 (1955)) (alteration in original). When interpreting the term "article of manufacture" the phrase "for the purpose of sale" should be a part of that interpretation.

The Congressional Record for the Act of 1887 (the predecessor of §289) does not require that the design be applied to the entire article of manufacture. In fact, the Congressional Record states just the opposite.

> It is expedient that the infringer's entire profit on the article should be recoverable, as otherwise none of his profit can be recovered, for it is **not apportionable**; and it is just that the **entire profit on the article** should be recoverable and by the patentee, for it is the design that sells the product. . . .

H.R. Rep. No. 49-1966 at 1 (emphasis added). Not only did Congress intend that the statute and its total profit language pertain to the entire article sold (i.e., carpeting in *Dobson*), Congress also intended that the total profit language pertain to the entire process of making that article (i.e., "carding, spinning, dyeing, and weaving" to make carpeting). *Id.* at 2. The legislative history also delineates Congress' reasons for enacting §289.

> The object in putting in the further clause that the party may recover any additional damages is this: It is believed that this will be **preventive** in its character, and no [person] would be likely to infringe when a recovery against him [or her] for such infringement will involve the sum of $250, as well as the total earnings of the business from that source; because there are many cases where parties would be willing to pay $250 for the privilege of infringing, because the manufacture which [the person] would undertake would enable him [or her]

> to make many hundreds of dollars on such a small outlay; and **this provision is put in for the purpose of meeting the cases of those who are willing to pay for the privilege of violating the law.**

Id. at 3 (emphasis added).

Section 289 plainly states that whoever "applies the patented design . . . to any article of manufacture for the purpose of sale . . . shall be liable to the owner to the extent of his [or her] total profit." 35 U.S.C. §289. The statute plainly and logically states that the total profit pertains to the sale. The sale is for the entire article of manufacture.

Congress would have been aware that products protected by design patents also possess utilitarian features. As noted above, this was well-known. *In re Koehring*, 37 F.2d at 422. For example, many factors are taken into consideration by manufacturers and purchasers of carpeting, such as material (e.g., wool, cotton, nylon, polyester), density of pile, length/plushness of pile, ink durability, cleanability, flame resistance, water repellant, etc. Yet, the legislative history of the 1887 Act notes that "for it is the design that sells the article." H.R. Rep. No. 49-1966 at 2. The word "article" in this legislative statement plainly shows that Congress understood the article was what was sold, and the article was not just the portion of the article upon which the design was applied. Carpeting without its primary and secondary backing and adhesives is just so many pile clippings.

In 1893, when the 1887 Act was fresh in the minds of the courts and businesses, the Second Circuit found that

a defendant infringing Design Patent No. D15,121 for the ornamental design applied to a watch case was liable for the "total net profit upon the whole article." *Untermeyer v. Freund*, 58 F. 205, 212 (2d Cir. 1893).

C. The Term "Article of Manufacture" Should Be Interpreted Consistently

As this Court is aware, when considering the harmony of provisions within a single act, the presumption of consistent usage applies. This presumption applies to the patent acts. The court in *In re Schnell* acknowledged this when determining the scope of an invention under §4929. The court stated as follows:

> The meaning of the language in section 4929, Revised Statutes, should be construed in connection with the meaning of the enforcement provision.

In re Schnell, 46 F.2d at 209-10. This is a well-recognized principle. "The normal rule of statutory construction assumes that 'identical words used in different parts of the same act are intended to have the same meaning.'" *Sorenson v. Sec'y of Treasury*, 475 U.S. 851, 860 (1986) (quoting *Helvering v. Stockholms Enskilda Bank*, 293 U.S. 84, 87 (1934)). In this whole act rule of statutory construction, courts "must read the words 'in their context and with a view to their place in the overall statutory scheme.'" *King v. Burwell*, 135 S. Ct. 2480, 2489 (2015) (quoting *FDA v. Brown & Williamson Tobacco Corp.*, 529 U.S. 120, 133 (2000)).

Prior to the Patent Act of 1952, Congress would have been aware of the court and Patent Office decisions discussed above stating that a design patent can issue for multi-component articles or a portion of the article, and defendant's total profit is based on the sale of the entire article of manufacture sold. The current version of the Patent Office MPEP builds from these court and Patent Office decisions to state as follows:

> The title of the design identifies the article in which the design is embodied by the name generally known and used by the public and may contribute to defining the scope of the claim. See MPEP § 1504.04, subsection I.A. The title may be directed to the entire article embodying the design while the claimed design shown in full lines in the drawings may be directed to only a portion of the article.

MPEP § 1503.01(I) (9th ed., Rev. 07.2015, Oct. 2015). The MPEP in a subsection entitled "Considerations Under 35 U.S.C. § 112," also states in pertinent part as follows:

> The scope of a claimed design is understood to be limited to those surfaces or portions of the article shown in the drawing in full lines in combination with any additional written description in the specification. The title does not define the scope of the claimed design but merely identifies the article in which it is embodied. See MPEP § 1503.01, subsection I.

MPEP § 1504.04(I)(A) (9th ed., Rev. 07.2015, Oct. 2015). The above MPEP rule does not conflict with the statutes,

and is thus given the effect of law. This rule is logical given the Patent Office classification system, albeit that it is ever changing and developing.

Reading §289 in light of §171 to determine the meaning of "article of manufacture" does not lead to a deviation from the term applying to what is being sold. In fact, the Federal Circuit's decision in this case stating that the term pertains to the smallest article of manufacture on which the design is applied and sold, is actually a step back from the breadth the term is given through the language in §289, particularly when construed consistently with §171. *Apple Inc. v. Samsung Elecs. Co.*, 786 F.3d 983, 1002 (Fed. Cir. 2015). Nothing in the statute states that just because a defendant sells an article in one form as a separate item, that the use of the article in a multi-part article of manufacture precludes liability under §289.

II. Legislative Reenactment Doctrine Does Not Apply For Construing The Term "Article of Manufacture" In §§171 And 289

The congressional reenactment doctrine is only applicable in certain factual situations. The necessary factors are not present for the issue of this case, namely the meaning of the term "article of manufacture" in §§171 and 289.

A. Phrase "Any Article Of Manufacture For The Purpose Of Sale" Is Plain

Where the law is plain, subsequent reenactment does not constitute adoption of a previous administrative construction. *Demarest v. Manspeaker*, 498 U.S. 184,

190 (1991); *see also Brown v. Gardner*, 513 U.S. 115, 121 (1994) (calling this the "obvious trump to the reenactment argument").

There is no meaningful debate regarding how to calculate a "total profit." The petitioner's issue is over the meaning of what is the "article of manufacture" upon which total profits should be assessed under §289, and more particularly the meaning of the phrase "any article of manufacture for the purpose of sale." For the above reasons, this meaning is plainly understood. Defendant's total profit is based on the entire article of manufacture to which the design is applied. Based on the evidence and testimony in the case, the Federal Circuit found this to be the entire cell phone. *Apple*, 786 F.3d at 1001-02.

B. Requirements To Apply Doctrine Are Not Met

Congress is presumed to be aware of an administrative or judicial interpretation of a statute and to adopt that interpretation when it reenacts a statute without change. *Lorillard v. Pons*, 434 U.S. 575, 580 (1978). "For the legislative reenactment canon to apply, two requirements must be met: (1) Congress must reenact the statute without change; and (2) 'the supposed judicial consensus must be so broad and unquestioned that we must presume Congress knew of and endorsed it.'"[3] *Bernardo ex rel. M & K Eng'g, Inc. v. Johnson*, 814 F.3d 481, 488 (1st Cir. 2016) (quoting *Jama v. Immigration & Customs Enf't*, 543 U.S. 335, 349 (2005)). This Court has also stated that Congress should indicate its intent to apply the doctrine. *Pierce v. Underwood*, 487 U.S. 552, 567 (1988).

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3. Samsung asserts §289 of the Patent Act of 1952 altered the enforcement provisions of the Act of 1887. Pet. Br. at 40-44.

1. Prior To The Act Of 1952, There Was No Judicial And Administrative Consensus Of The Term "Article Of Manufacture" Consistent With The Government's Position

The legislative reenactment doctrine requires "judicial consensus so broad and unquestioned that we must presume Congress knew of and endorsed it." *Jama*, 543 U.S. at 349. This presumption may only be applied "when 'all (or nearly all) of the' relevant judicial decisions have given a term or concept a consistent judicial gloss." *Bruesewitz v. Wyeth LLC*, 562 U.S. 223, 243 (2011) (quoting *Merck & Co. v. Reynolds*, 559 U.S. 633, 659 (2010) (Scalia, J., concurring in part and concurring in judgment)). Courts have extended the requirement of uniformity to judicial and administrative statutory interpretations. *Bernardo*, 814 F.3d at 488; *Commodity Futures Trading Comm'n v. Schor*, 478 U.S. 833, 846 (1986).

The judicial and administrative decisions for at least two decades prior to the Patent Act of 1952 repeatedly found that an "article of manufacture" included multi-component articles of manufacture. *See supra* pp. 5-8. In light of this, Congress would have understood that §289 pertained to both single component and multi-component articles of manufacture.

Various cases further demonstrate that Congress intended to prohibit apportionment from the enforcement statute, and that the statute does in fact prohibit apportionment. The *Dobson* carpet cases of the early 1880s were deemed to allow apportionment. The Act of 1887 was passed to overturn this decision. As noted

above, carpeting is a multi-component product. As also noted above, the *Untermeyer* case assessed total profits on the entire watch and did not apportion profits to just the watch case. *Untermeyer*, 58 F. at 212.While parties may differ regarding the meaning of some other pre-1952 cases, it is safe to say there was no body of uniform and consistent court and administrative decisions stating that apportionment no longer applied for §289 in multi-component cases. In addition, the application of the legislative reenactment doctrine was not discussed in various post-Patent Act of 1952 cases. *Schnadig Corp. v. Gaines Mfg. Co.*, 620 F.2d 1166, 1173 (6th Cir. 1980) (D212,602 for sectional sofa); *Henry Hanger & Display Fixture Corp. of Am. v. Sel-O-Rak Corp.*, 270 F.2d 635, 643 (5th Cir. 1959) (D168,143 for garment display rack); *Bergstrom v. Sears, Roebuck & Co.*, 496 F. Supp. 476, 495 (D. Minn. 1980) (D228,728 for fireplace grate, finding total profit not apportionable).

2. Congressional Record For The Patent Act Of 1952 Does Not Evidence An Intent To Use The Doctrine To Alter Meaning Of Term "Article Of Manufacture"

This Court has stated that in order to bring the legislative reenactment doctrine into play, Congress must not only have been made aware of the administrative interpretation, but must also have given some "affirmative indication" of such intent. *Ass'n of Am. R.R.s v. Interstate Commerce Comm'n*, 564 F.2d 486, 493 (D.C. Cir. 1977) (citing *Comm'r v. Glenshaw Glass Co.*, 348 U.S. 426, 431 (1955)).

In reenacting a statute that has consistently been interpreted uniformly throughout judicial and administrative decisions, the reenactment "generally includes the settled judicial interpretations." *Pierce*, 487 U.S. at 567 (citing *Lorillard*, 434 U.S. at 580-81). A statutory provision reenacted without "any congressional discussion which throws light on its intended scope" is reenacted without significance and, therefore, not entitled to weight in the statutory interpretation. *United States v. Calamaro*, 354 U.S. 351, 359 (1957).

Yet, there is no evidence to suggest that Congress was aware of the asserted judicial consensus regarding §§171 or 289 at the time of the reenactment of provisions of the Patent Act of 1952. Although the Congressional Record for the Act of 1952 expressly discusses the revisions to many patent statutes, the Record makes no mention of any change to §§171 or 289. H.R. Rep. No. 82-1923 (1952). A report from the House Committee On The Judiciary expressly states an intent for this legislative reenactment doctrine to apply for the reenactment of §102(a):

> Subsection (a) is the language of the existing law, recognizing that the interpretation by the courts excludes various kinds of private knowledge not known to the public.

H.R. Rep. No. 82-1923 at 6.[4] Yet, this report makes no mention of §289, let alone any intent by Congress to adopt a

4. Similarly, the Record for the 1887 Act contains an express statement demonstrating Congress' intent to apply the legislative reenactment doctrine to incorporate a past court decision into the 1887 Act. *See supra* p. 9.

consistent body of case law via this doctrine, and certainly not any case law regarding whether total profit would be for anything other than the article of manufacture to which the design is applied for the purpose of sale.

For the above reasons, the legislative reenactment doctrine does not apply. The phrase "any article of manufacture for the purpose of sale" is plain and understood. At least one requirement for applying the doctrine is not met. The legislative history also fails to acknowledge any judicial and administrative consensus regarding §289, or any intent to adopt any such consensus.

III. Long-Standing, Dominant Companies In An Industry Tend To Infringe Design Patents Of Smaller Companies Entering Their Industry With A Distinctive And Favorable Product Design

Samsung asserts that the Federal Circuit's decisions regarding §289 will hurt small businesses. Pet. Br. at 2, 47-51. This is ironic. Samsung is a long-standing, dominant company in its respective industry, much like the company that infringed Nordock's design patent. *See supra* pp. 1-2. Incredibly, Samsung even cites to the *Nordock* to support this position. Pet. Br. at 50.

At trial, large companies typically assert that smaller companies are not entitled to lost profits under 35 U.S.C. §284 because the small companies are not able to meet the product demand of the large companies. Nordock faced this challenge during its design patent litigation. The jury bought this argument and did not award Nordock lost profits. When facing potentially large lost profits damage awards in patent infringement litigation, larger companies

will almost assuredly play this card. In addition, even when a design patent represents the brand image of the smaller company, a trial judge can throw out damage expert testimony asserting a reasonable royalty based on 100% of the small company's lost profits under §284. This also occurred in the *Nordock* case. Yet, the legislative history of the 1887 Act shows Congress' attempt to equate §289 damages to trademark damages. See H.R. Rep. No. 49-1966 at 1. Awarding damages for less than the entirety of the infringing product under §289 would be yet another obstacle facing small companies entering a market dominated by larger companies. As Congress stated when discussing the enforcement statute in the Act of 1887, such an interpretation renders design patents a right without a remedy. *Id.*

Samsung had been selling cell phones with multiple buttons on the face of the phone and with a physical keyboard since 1988. Pet Br. at 4-5. Apple entered the cell phone industry in 2007 by introducing its new "iPhone" product with an electronic keyboard having a distinctive look. Samsung quickly adopted that distinctive design. Resp. Br. at 7-8. Apple refers to the harm inflicted by Samsung's predatory behavior in taking its design. Even a larger company such as Apple is harmed when a long-standing dominant competitor in an industry infringes the innovative, distinctive design of a company entering that industry. Samsung's market share rapidly grew at the expense of Apple. *Id.* at 10. Yet the harm to a small business is much more acute.

Small business owners take more risks than established dominant companies. The downside for a large company in litigating a dispute is less dramatic than

to a small business owner. Large companies typically have well diversified product lines that enable them to spread risks over those product lines. Small businesses cannot typically do this. A decline in market share in one product has a greater negative impact on the company. Taking on expensive litigation also imposes significant risk to a small company and is typically avoided whenever possible. Contrary to the Government's brief, the House Report pertains to Congress' intent to prevent "design patent infringement" altogether, not just "under-compensation" for design patent infringement. *Compare* H.R. Rep. No. 49-1966 at 3, *with* Government Br. at 25. The Congressional Record specifically states the entire profit for the business from that source. Given the importance of a distinctive design to a small company entering an established industry, and given the larger risks associated with starting a company and the inherent risks in taking on expensive litigation, the deterrent effect needed to prevent a dominant company from unbridled predatory behavior (e.g., taking the patented distinctive design of a smaller innovative business) requires a robust design patent enforcement statute.

IV. Should This Court Incorporate The Government's Four Factors Into The Totality Of The Circumstances Test To Determine The "Article Of Manufacture" Under §289, This Court Should Consider Several Additional Factors

The Federal Circuits' recent well-reasoned decisions allow a defendant to present evidence to the fact finder that the "article of manufacture" for assessing total profits under §289 is less than the complete product sold by the defendant. *Nordock, Inc. v. Systems Inc.*, 803 F.3d 1344,

1355 (Fed. Cir. 2015); *see also Apple*, 786 F.3d at 1002. The government's position is to adopt the following four factors to determine the totality of the circumstances: 1) the scope of the design claimed in the plaintiff's patent including the drawings and written description; 2) the relative prominence of the design within the product as a whole; 3) whether the design is conceptually distinct from the product as a whole; and 4) the physical relationship between the patented design and the rest of the product. Government Br. at 27-29. Nordock agrees, but believes that expanding this list to include additional factors focusing on marketing and sales activities and the prosecution of the design patent will lead to a result more consistent with the words of the enforcement statute and Congress' intention when enacting that statute.

Degree Defendant's Marketing Displays Component. Evidence showing the degree to which the defendant displayed the component bearing the patented design in its marketing efforts for the product would show whether the defendant was trying to use the design to promote the sale of its infringing product as a whole. When the patented design is shown in large pictures on the cover of the defendant's marketing brochures or displayed at eye level at trade shows, this would show that the defendant is using the design to promote the sale of the infringing product as a whole, and weighs in favor of the article of manufacture being the entire product.

Defendant's Knowledge Of Component Design When Developing Product. Evidence showing a manufacturer was aware of a competitor's component design when it developed a product incorporating that component design shows the manufacturer's perceived significance of the

design in marketing its product, and weighs in favor of the article of manufacture being the entire product. For example, when a manufacturer searches the Patent Office or attends trade shows to identify new product designs, and then introduces a new product incorporating a competitor's patented component design in a new product, this weighs in favor of the article of manufacture being the entire product.

Whether Component Is Commonly Sold Separately. Evidence showing that a component to which a patented design is applied is commonly sold as an integral or non-detachable part of a product weighs in favor of the article of manufacture being the entire product. Evidence showing that the component is commonly sold separately by many companies in the industry (other than the defendant and its distributors or associates) would weigh in favor of the article of manufacture being the component and not the entire product. For example, door handles are commonly sold separately from refrigerators cabinets and furniture, etc. *See, e.g., What Retailers Sell Refrigerator Door Handles?*, Reference.com, https://www.reference.com/home-garden/retailers-sell-refrigerator-door-handles-3e2e05d16b70f35d?qo=contentSimilarQuestions (last visited Aug. 2, 2016); *Handles & Pulls*, Horton Brasses, http://www.horton-brasses.com/handlespulls.asp (last visited Aug. 2, 2016). Similarly, boat windshields are commonly sold separately from the whole boat. *See e.g., Sport Boat Windshields*, Taylor Made Systems, http://www.taylormarine.com/windshields/_Sportboats.html (last visited Aug. 2, 2016) (marketing custom glass windshields and over 70 pre-tooled glass windshields); *About Our Products*, Custom Mold & Tint Inc., http://getaboatwindshield.com/products (last visited Aug. 2, 2016) (selling only boat windshields).

Importance Of Component To Primary Purpose Of Article. For many products, such as industrial equipment, medical equipment, etc., the ordinary consumers for that type of product will pay more attention to essential components, and less attention to peripheral components. For example, ordinary consumers of forklifts may tend to focus on the lift bar mechanism, but not the hubcaps. Thus, when a manufacturer adopts a competitor's patented design applied to an important component of a product, this weighs in favor of the article of manufacture being the entire product.

Patent Office Search Fields. When the Patent Office has utility or design classes for the product being litigated, and the cover page of the design patent lists the classification number for this product as a search field, this weighs in favor of assessing total profits on the entire product. On the other hand, when the Patent Office has utility or design classes for the product, but the Patent Office field of search only lists the class for a component, this weighs in favor of the article of manufacture being the component. For example, if a cup holder design patent lists cup holder classes as the field of search, but does not list automobile classes as the field of search, this weighs in favor of the article of manufacture being a cup holder. When the Patent Office does not have a utility or design class for the litigated product, then this factor would not apply.

Patent Office Design Classification. When the Patent Office has a design class for the infringing product and the cover of the design patent lists the classification number for this product, this weighs in favor of assessing total profits on the entire product. When the Patent Office does

not have a design class for the infringing product, this factor would not apply. For example, although the Patent Office has issued many "utility" patents for dock levelers, the Patent Office has only issued one "design" patent for a dock leveler. This will be so for the first company to obtain a design patent for a particular type of product, and a negative inference should not be applied against a company leading an industry in product design.

References Listed On Cover Of Design Patent. When the references made of record on the cover of the component design patent predominantly list patents for an entire product, this weighs in favor of assessing total profits on the entire product, particularly if the references were made of record by the Patent Office. If the references made of record on the cover of the component design patent are predominantly for the component, this weighs in favor of assessing total profits on the component, particularly if the references were made of record by the applicant.

Defendant's Attempts To Hide Its Infringing Activities. Evidence showing a manufacturer normally publicly advertises its products, but did not do so for a product incorporating a patented design component of a competitor weighs in favor of assessing total profits on the entire product, because this conduct shows the manufacturer perceived the component design as significant to selling the product but did not want the patent holder to learn of its sales activities.

Defendant's Relative Dominance And Duration In Industry. In the case presently before the Court, the defendant is a long-standing, dominant company in its respective industry. Ironically, the defendant asserts

that assessing total profits against an infringing product as a whole will hurt small businesses. The defendant ignores the harm it causes the smaller or new entrant to an industry when a larger, established company infringes the product design of the new entrant. Were this Court to adopt the totality of the circumstances test suggested by the government in its brief, then given the defendant's statement, a factor should be added to take into account the harm a dominant company can have on a new or smaller business to that industry. When a defendant is determined to be a long-standing, dominant company in an industry, this weighs in favor of finding the article of manufacture to be the entire product sold by the defendant.

CONCLUSION

For the foregoing reasons, Samsung's petition should be denied.

Dated: August 5, 2016.

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IN THE

Supreme Court of the United States

SAMSUNG ELECTRONICS CO., LTD., ET AL.,

Petitioners,

v.

APPLE INC.,

Respondent.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF OF AMICI CURIAE 113 DISTINGUISHED INDUSTRIAL DESIGN PROFESSIONALS AND EDUCATORS IN SUPPORT OF RESPONDENT

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QUESTION PRESENTED

Whether 35 U.S.C. § 289, which provides that a party that infringes a design patent may be held "liable ... to the extent of his total profit," permits a jury to award the patent owner all profits the infringer earns from copying the patented design.

TABLE OF CONTENTS

Page

QUESTION PRESENTED i

TABLE OF AUTHORITIES iv

INTEREST OF AMICI CURIAE 1

SUMMARY OF THE ARGUMENT 3

ARGUMENT 7

I. History Shows That A Product's Visual Design Drives Sales And Becomes The Product Itself In The Minds Of Consumers. 7

A. The founders of industrial design discovered that design drives sales of consumer products. 7

B. History teaches that a product's visual design becomes the product itself in the minds of consumers. 10

II. Design Is Particularly Important For Consumer Products With Complex Technology. 16

A. Successful technology companies use design to differentiate themselves from competitors. 16

B. Cognitive science explains why design is particularly important for consumer products with complex technology 17

III. Section 289 Requires Disgorgement Of An Infringer's Total Profits On The Infringing Article Of Manufacture. 24

A. Section 289 requires disgorgement of "total profits" because it is the infringing design that sells the product and makes it possible to realize profits..... 24

B. Given the jury's infringement finding, Samsung must disgorge its total profits..... 26

C. Samsung's arguments to the contrary rest on a fundamental misunderstanding of design patents. 30

D. This Court should decline to adopt the "totality of the circumstances" test for identifying an article of manufacture. 34

CONCLUSION 36

APPENDIX A

List of Signatories 1a

TABLE OF AUTHORITIES

Page(s)

Cases

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35 U.S.C. § 171 ..... 3, 24

35 U.S.C. § 289 ..... i, 3, 6, 25, 30, 32, 34

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INTEREST OF AMICI CURIAE[1]

Industrial Design (ID) is the professional service of creating products and systems that optimize function, value, and appearance for the mutual benefit of user and manufacturer. Amici curiae are leading industrial design professionals, fashion designers, design museum directors, design research professionals and design academics who work in high-profile consulting firms, prominent academic institutions and leading high-technology corporations across the United States and Europe. We have decades of experience providing product design services to leading U.S. and international corporations, nonprofit organizations, and government entities including Apple, Samsung, American Airlines, AT&T, Calvin Klein, Citibank, Coca-Cola, Ford, General Electric, General Motors, Goldman Sachs, The Harvard Endowment, Herman Miller, Hewlett Packard, Google, IBM, Knoll, Lenovo, LG, Louis Vuitton, Mobil Oil, Motorola, the New York Stock Exchange, NASA, Nike, Pfizer, Polaroid, Procter & Gamble, Starbucks, Target, Whirlpool, and Xerox and many. many others.

Amici have served as President and Chairman of the Board of the Industrial Designers Society of America. We have lectured at leading graduate pro-

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[1] The parties have consented to the filing of this brief, and their written consents are on file with the Clerk of this Court. No counsel for a party authored this brief in whole or in part, and no person other than amici and their counsel has made any monetary contribution to the preparation or submission of this brief.

grams, including, Harvard, MIT Sloan School of Management, Stanford University, Parsons School of Design, Pratt Institute of Design, Rhode Island School of Design, Innovation Design Lab of Samsung, Art Center College of Design and the University of Pennsylvania. Collectively, we have written and contributed to hundreds of leading business, academic and news publications, including Business Week, The New York Times, Innovations Magazine, Science and The Wall Street Journal.

We have been invited speakers at leading law conferences on design patents. We have been either consulting or testifying experts in hundreds of design patent cases including those which have formed the basis for modern design patent law. We have testified before Congress about intellectual property and design patents. We have been instrumental in the planning of and have spoken at the Patent Office's "Design Day" since its inception.

We have received hundreds of major design awards for our work in industrial design, design research and design education. We have served on hundreds of design competitions in the U.S. and abroad. Our product design solutions are on display at leading design museums in the U.S. and abroad including the Museum of Modern Art. Our design solutions have fundamentally contributed to the economic growth of the U.S. and world economy.

We all share a strong professional interest in seeing that design patent law continues to protect investments in product design. Congress has provided that "[w]hoever invents any new, original and ornamental

design for an article of manufacture may obtain a patent therefor." 35 U.S.C. § 171 (a). And one who infringes a design patent "shall be liable to the owner to the extent of his total profit." 35 U.S.C. § 289. We have based our professional lives on the assumption that designs are patentable and worth enforcing when infringed. Collectively, we are named inventor on hundreds of U.S. design and utility patents.

Amici have no personal interest in the outcome of this dispute between Apple Inc. and Samsung Electronics.[2] We have consulted for both parties. Both of these leading technology companies own numerous design patents. This case happens to involve three of Apple's design patents. But Samsung also owns design patents on various sophisticated and complex technological products. *See, e.g.*, U.S. Design Patent No. 658,612 (ornamental design for a television set). The fundamental principles of visual design set forth below are agnostic as to who brings forth a new design to the world.

SUMMARY OF THE ARGUMENT

Congress determined in 1887 that "it is the design that sells the article, and so that makes it possible to realize any profit at all." H.R. Rep. No. 1966 (1886), *reprinted in* 18 Cong. Rec. 834 (1887). History and science have proven that judgment correct.

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[2] We cite Samsung's Opening Brief as Samsung Br., the Brief for the United States as U.S. Br., and the Joint Appendix below as C.A.

I. The history of industrial design and the experience of America's most profitable industries demonstrate the value of design. The founders of American industrial design discovered that design drives sales of consumer and commercial products. Indeed, a product's visual design *becomes* the product itself in the minds of consumers. Modern cognitive and marketing science verifies this fact. Two examples prove the point. First, the distinctive Coca-Cola bottle, which was designed and patented in 1915, helped the soft drink become the most widely distributed product on earth. A 1949 study showed that more than 99% of Americans could identify a bottle of Coke by shape alone, and customers routinely report that Coke tastes better when consumed from the patented bottle. The same is true for American automobiles. Henry Ford's original Model T was notoriously unattractive. After General Motors created an Art & Colours department in the 1920s, GM permanently surpassed Ford in annual sales. Embracing industrial design eventually lead to huge U.S. economic growth, as car manufacturers discovered that without changing the underlying technology, engineering or functionality, they could create many different makes and models simply by changing the automobile's shape, style and appearance. Today, design outranks all other considerations and is the driving force behind new car purchases.

II. Design is particularly important for consumer products with complex technology. Cognitive science proves that a product's visual design has powerful effects on the human mind and decision making processes, and eventually comes to signify to the consumer the underlying function, origin, and overall

user experience of that product. Sight is overwhelmingly our strongest sense. In addition, the human brain recalls memories and emotions attached to visual stimuli for far longer than text or words. Because the brain does not separate the physical appearance of an object from its functions, a consumer's subsequent exposure, experience, or knowledge of a product are cognitively mapped onto the product's visual design such that the look of the product comes to represent the underlying features, functions, and total user experience.

This is especially true in the market for complex technological products. Counterintuitively, when a single product performs numerous complex functions, and when parity in functionality is assumed across manufacturers, product design becomes more important, not less. By stealing designs, manufacturers steal not only the visual design of the product, but the underlying functional attributes attached to the design of the product, the mental model that the consumer has constructed to understand the product, and the brand itself and all associated attributes developed at great expense in the marketplace.

III. Design patents thus protect from misappropriation not only the overall visual design of the product, but the underlying attributes attached to the design of the product in the eye and mind of the consumer. When an infringer steals the design of a successful product, it captures the consumer's understanding of what the product does and what the product means in addition to the emotional connections associated with the company's brand. The plain

text reading of 35 U.S.C. § 289, requiring disgorgement of total profits, thus remains sound and perfectly aligned with modern cognitive science. Indeed, disgorgement of total profits is the only appropriate remedy for design patent infringement.

Ignoring the statute's clear text, Samsung argues that total profits cannot really mean total profits, because "[u]nder [this] rule, an infringer of a patented cupholder design must pay its entire profits on a car, an infringer of a patented marine-windshield design must pay its entire profits on a boat, an infringer of a patented, preinstalled musical-note icon design must pay its entire profits on a computer, and so on." Samsung Br. 1; *see also* U.S. Br. 23. But Samsung is profoundly confused about the design patent system. The test for design patent infringement requires the possibility of a captured sale. *See Gorham Co. v. White*, 81 U.S. 511, 528 (1871). Under this test, one who patents a design for a cupholder could never recover profits on an entire car because no one could be induced into purchasing a Jeep supposing it to be a Porsche simply because the vehicle's cupholders looked the same.

The jury was instructed as much in this case—that it could only find that Samsung's phones infringed Apple's design patents "if, in the eye of an ordinary observer, giving such attention as a purchaser usually gives, the resemblance between the two designs is such as to deceive such an observer, inducing him to purchase one supposing it to be the other." The undersigned take no position on whether the jury's finding on that point was correct, but Samsung does not challenge it before this Court. Thus, the jury

properly awarded to Apple all of Samsung's profits from selling its copycat devices.

ARGUMENT

I. History Shows That A Product's Visual Design Drives Sales And Becomes The Product Itself In The Minds Of Consumers.

A. The founders of industrial design discovered that design drives sales of consumer products.

Americans' first inventions were born of necessity, directed towards function rather than aesthetics, as the "implements brought from Europe ... proved less than adequate in the American wilderness." Arthur J. Pulos, *American Design Ethic: A History of Industrial Design to 1940* 5 (1983). Critics praised America's "technological wonders," but found them lacking in appearance—"severe and even tasteless, with little or no ornamental value." *Id.* at 110, 116. That suited the American public at the time, which "was not concerned with such lofty notions as the relationship of function to form or the inherent aesthetic of manufactured objects—it was simply overwhelmed by the flood of affordable machine-made products that promised to improve material existence." *Id.* at 161.

By the early 20th century, the United States had surpassed all other countries in the sale of manufactured goods, but "an undercurrent of dissatisfaction and even embarrassment was emerging about the

lack of genuine aesthetic quality in American manufactures." *Id.* at 242. At the same time, with the advent of mass-produced print advertising, it "quickly became apparent that the appearance of the product in an advertisement would be an important element in its public acceptability." *Id.* at 279.

Thus, American manufacturers began to recognize "that appearance does count," and industrial designers became integral to shaping mass-produced consumer products. Siegfried Giedion, *Mechanization Takes Command: A Contribution To Anonymous History* 608-10 (1948). Raymond Loewy, who would become the father of American industrial design, first worked on a redesign of Sigmund Gestetner's "famed old duplicating machine." *Modern Living: Up from the Egg*, Time, Oct. 31, 1949. Here is an image of the original machine:

In just five days, Loewy transformed it from a set of exposed and chaotic-looking metals and gears sitting on top of four protruding tubes into a streamlined and aesthetically appealing device. Here is a picture of Loewy's design:

After Loewy's re-design, sales soared so high that Gestetner was required to build three additional factories to meet the increased demand, and the company kept the same model for 30 years. Raymond Loewy, Industrial Design: Yesterday. To-day and To-morrow? Address Before the Meeting of the Society and the Faculty of Royal Designers for Industry (Oct. 9, 1980) in J. of the Royal Society of Arts, Mar. 1981, at 200, 203, *available at* http://tinyurl.com/k82286s.

Loewy later performed the same task for Sears, Roebuck & Co.'s Coldspot refrigerator, turning "an ugly machine with a dust trap under its spindly legs" into a "gleaming unit of functional simplicity." *Modern Living*, *supra*; *see* U.S. Design Patent No. 112,080 (Nov. 8, 1938). Sales increased "from 15,000 to 275,000 units within five years." Pulos, *supra*, at 358.

By 1949, American businesses were spending nearly half a billion dollars annually on industrial design. *Modern Living*, *supra*. The work of Loewy and his contemporaries proved, in concrete numbers, that "although the consumer might not always understand the mechanism or construction of a manufactured product ... he could always depend upon what his senses told him about it." Pulos, *supra*, at 133.

B. History teaches that a product's visual design becomes the product itself in the minds of consumers.

Visual design does not only drive sales. The history of industrial design and the experience of America's most profitable industries demonstrate that a product's visual design becomes the product itself in the mind of consumers. It is the design of a successful product that embodies the consumer's understanding of and desire to own and interact with it. Two examples prove the point.

1. *Coca-Cola*

After the Civil War, John Pemberton launched the Pemberton Chemical Company with entrepreneurial dreams and a secret formula for a new beverage: cola-flavored syrup mixed with soda water. David Butler & Linda Tischler, *Design to Grow: How Coca-Cola Learned to Combine Scale and Agility (and How You Can Too)* 36-37 (2015). Pemberton's accountant, a fan of alliteration, suggested the name "Coca-Cola." *Id.* at 37. The drink was originally sold only from soda fountains. In 1899, two Chattanooga lawyers contracted with Coca-Cola to bottle the drink to be consumed on the go. Ted Ryan, *The Story of the Coca-Cola Bottle*, Feb. 26, 2015, http://tinyurl.com/jmbbg6u.

Within just a few years, there were hundreds of independent bottlers, and, unfortunately, legions of imitators. Butler, *supra*, at 38. The banality of Coca-

Cola's bottles—simple, straight-sided glass containers with an embossed name or a paper label—made them easy to duplicate. *Id.* at 54.

In 1915, the Trustees of the Coca-Cola Bottling Association commenced a national contest for the design of a unique new bottle. *Id.* They sought a bottle that "a person can recognize as a Coca-Cola bottle when he feels it in the dark ... so shaped that, even if broken, a person could tell at a glance what it was." *Id.* at 53-54. Two employees of the Root Glass Company of Terre Haute, Indiana—Earl R. Dean and Alexander Samuelson—drew inspiration from the shape of a cocoa pod to design the winning bottle. *Id.* at 54; *see* U.S. Design Patent No. 48,160 (Nov. 16, 1915).

The distinctive bottle, with its contoured shape and the words "Coca-Cola" scrawled in cursive, put a stop to imitators and was "the catalyst that [helped] Coca-Cola become the most widely distributed product on earth." Norman L. Dean, *The Man Behind the Bottle* 106 (2010). A 1949 study showed that more than 99% of Americans could identify a bottle of Coke by shape alone. Ryan, *supra*. The impact of the contour bottle's design on the company's profits—and American culture—is difficult to overstate. According to Coca-Cola, "[n]o one can even guess where the Coca-Cola business might be today if it were not for the unique package that distinguishes the product ... around the world." Dean, *supra*, at 14. The iconic shape of the bottle is so important as a brand signifier that today it is reproduced in silhouette form on aluminum cans of Coke:

Christine Birkner, *Packaging "Smaller is Bigger,"* Adweek Magazine, June 6, 2016 at 12.

But the contour bottle represents more than just marketing for the brand—it has become synonymous with the beverage itself. Customers routinely report that Coca-Cola tastes better when consumed from the contour bottle, though there is no difference in the formula. Dean, *supra* at 108. In the words of Coca-Cola's Executive Vice President: "Nothing instantly communicates the essence of Coca-Cola throughout the world like our contour bottle." *Id.* at 16.

2. *American Automobiles*

"The American automobile ... changed the habits of every member of modern society. [It is] the symbol, all over the world, of American industrial genius and enterprise." Raymond Loewy, *Jukebox on Wheels*, The Atlantic, Apr. 1955, http://tinyurl.com/jmda7jp. Initially, though, American cars were simply horseless, motorized carriages that "didn't look right" without the horses. Michael Lamm & Dave Holls, *A Century of Automotive Style: 100 Years of American Car De-*

sign 13 (1996). Public descriptions of early automobiles ranged from "generally untidy" to "positively ugly," David Gartman, *Auto-Opium: A Social History of American Automobile Design* 23, 26 (Routledge 1994), and from 1900 to 1925, car makers singularly focused "on making cars reliable, durable, useful, and comfortable," Lamm, *supra*, at 24. Consumers' interests initially aligned with this focus, and, "[f]or a while, that the automobile worked at all and could be operated with reasonable reliability was sufficient." Pulos, *supra*, at 242.

Henry Ford's Model T was the perfect example: It was notoriously unattractive, yet it sold more than 15 million units. *Id.* at 256. In 1926, however, General Motors introduced a bold and colorful Chevrolet that quickly surpassed sales of the black Model T. Gartman, *supra*, at 77. General Motors president Alfred P. Sloan understood just "how much appearance and style contributed to the sale of new automobiles," and in 1927. he developed "a plan to establish a special department to study the question of art and color combinations in General Motors products." Lamm, *supra*, at 84, 89. Sloan hired designer Harley J. Earl to lead the newly minted Art & Colours department, which would become "the most important, influential automotive styling section the world has ever known." *Id.* at 84; *see, e.g.*, U.S. Design Patent No 93,764 (Nov. 6, 1934) (design for an automobile or similar article); U.S. Design Patent No 95,495 (May 7, 1935) (design for automobile). It would also lead General Motors to permanently surpass Ford in annual sales. *See* Alex Taylor III, *GM vs. Ford: The hundred-year war*, Fortune (Mar. 23, 2011), http://tinyurl.com/jar6njb.

Embracing industrial design led not only to more beautiful automobiles, but to huge U.S. economic growth. Without changing the underlying technology, engineering or functionality, car manufacturers discovered that they could create many different makes and models simply by changing the automobile's shape, style and appearance. For example, General Motors maintained five separate brands—Chevrolet, Pontiac, Oldsmobile, Buick, and Cadillac—whose models shared not only mechanical parts, like transmissions and brakes, but also body shells, the structural foundations of the car's body. Gartman, *supra*, at 74. Dozens of different GM models were built on the same three body shells. Yet each model looked unique due to the addition of aesthetic features like fenders, headlights, taillights, and trim. *Id.* at 97. And GM produced each model in a dazzling variety of colors. It also introduced the annual model change, tweaking the body style of all cars each year. *Id.* at 75-76. Sales of these different models to "people ever thirsty for something new" soared. H. Tarantous, *Big Improvement in Comfort of 1925 Cars*, N.Y Times, Jan. 4, 1925 at A2.

* * *

Whether the relevant article of manufacture is an iconic soda bottle or an automobile, history teaches that visual design is *the* way to package, market and sell technological innovation, manufacturing knowhow, product reliability and performance expectations. Appearance becomes identified with the underlying functional features and with a particular level of product quality and safety.

II. Design Is Particularly Important For Consumer Products With Complex Technology.

A. Successful technology companies use design to differentiate themselves from competitors.

The importance of visual design is reflected in the complex technological products that have become ubiquitous in modern society For American companies, "[a]s the stakes get higher, and the world gets more complex, using design to learn and adapt is ... critical." Butler, *supra*, at 104. Thus, today "companies are elevating design and expanding its role throughout the business." Michelle Stuhl, *What Is Behind the Rise of the Chief Design Officer?* Forbes (Nov. 11, 2014), http://tinyurl.com/h3v354k. Indeed, "design is being baked into every aspect of corporate life." *Id.*

There are over 40,000 industrial designers in the United States, and "many Silicon Valley startups have three co-founders: a technologist, a business person, and an artist [designer]." CACM Staff, *Visualizations Make Big Data Meaningful*, Communications of the ACM, June 2014 at 21, http://tinyurl.com/z7lulrn. Similarly, many well-known corporations, including 3M, Audi, Hyundai, Johnson & Johnson, Pepsi Co., Philips Electronics and Volkswagen, count Chief Design Officers among their corporate executives. *See* Stuhl, *supra*; Kyong-Ae-Choi, *Q&A: Hyundai Design Chief*, The Wall Street Journal (Mar. 5, 2013), http://tinyurl.com/hh37mc5; 3M Names Eric Quint

Chief Design Officer, 3M.com (Apr. 11, 2013), http://tinyurl.com/jnxdp9q.

These companies understand that "giving design a seat at the table adds significant value that helps differentiate and elevate [them] beyond the norm and helps to deliver tangible business results." Jeneanne Rae, *What Is the Real Value of Design?* 24 Design Mgmt. Rev., Winter 2013, at 30, 37. The world's most successful companies view design as a key corporate asset that undergirds their brand and differentiates them from competitors. *Id.* In fact, America's top fifteen "design conscious companies" outperform their peer group by 228% on a market asset value basis. *Id.* at 33. Design is thus a proven catalyst for American business and economic growth.

B. Cognitive science explains why design is particularly important for consumer products with complex technology.

Cognitive and marketing science explain why visual design is so critical to complex technology. Visual design acts as a powerful motivator of consumers' choices, and Aristotle's maxim that "all perception starts with the eye" is especially true with today's consumer products. Bernd Schmitt & Alex Simonson, *Marketing Aesthetics: The Strategic Management of Brands, Identity, & Image* 85 (1997).

"Sight is our strongest sense: 90% of information transmitted to the brain is visual, and 40% of nerve fibers to the brain are connected to the retina." Gerald C. Kane & Alexandra Pear, *The Rise of Visual Content*

Online, MIT Sloan Mgmt. Rev. (Jan. 4, 2016), http://tinyurl.com/jns258w. Once a product's image is received on the retina, the mind rapidly processes the image until it reaches what researchers label the "category-based" stage, where consumers—through visual image alone—"recover[] the functional, properties of objects: what they afford the organism, given its current beliefs, desires, goals and motives." Stephen E. Palmer, *Vision Science, Photons to Phenomenology* 91-92 (1999).

Visual designs "are processed more quickly than words and the connection between an image and its meaning is more direct than the connection between a word and its meaning." Claudia Townsend & Sonjay Sood, *The Inherent Primacy of Aesthetic Attribute Processing, in* The Psychology of Design 208 (Rajeev Batra et al. eds., 2016). While verbal or textual information regarding functionality must be processed sequentially, cognitive processing of visual design occurs "all at once" and "can be so quick that we may not be aware of its effects." *Id.* at 208, 209. In other words, while visual design is processed holistically and instantly, functions are processed sequentially, based on textural and spatiotemporal interactions with the product. "[B]ecause design is presented visually and because its visual presentation does not require any interpretation, it is processed more quickly and less deliberately than other attributes." *Id.* at 214.

In addition, the human brain recalls memories and emotions attached to visual stimuli (pictures, shapes, colors, products, etc.) for far longer than those attached to text or words. Schmitt, *supra*, at 86-87

This is the reason we can identify a product we have used before based on its visual appearance alone, but may not remember information we read about the product (such as technical specifications or instructions about product use). The powerful effect of visual design, which has been attributed to the mind's "higher degree of discrimination of pictures compared with words," is simply stronger and longer lasting than information gleaned from text. *Id.* at 86.

Immediately upon seeing a product, the mind forms "beliefs about product attributes and performance." Peter H. Bloch, *Seeking the Ideal Form: Product Design and Consumer Response*, J. of Marketing, July 1995, at 16, 20. Research has demonstrated that "attractive products are perceived to be of higher quality and easier to use." Ruth Mugge & Jan P.L. Schoormans, *Making Functional Inferences Based on Product Design: The Effects of Design Newness*, Proceedings of the Society for Consumer Psychology 188 (Feb. 24-27, 2011). (internal citation omitted). Unsurprisingly, "attractive things make people feel good." Donald A. Norman, *Emotional Design: Why We Love (or Hate) Everyday Things* 19 (2004). In scientific terms, cognitive processing of images has "been found to be associated with increased affect," as "high aesthetics activates the reward center of the brain." Townsend & Sood, *supra*, at 208. "[C]ustomers experiencing positive emotions may feel more predisposed to try new things and may perceive them as having higher value...." Antoaneta P. Petkova & Violina P. Rindova, *When Is a New Thing a Good Thing? Technological Change, Product Form Design, and Perceptions of Value for Product Innovations*, 2006 Design

Research Soc'y, Int'l Conference in Lisbon (IADE), Paper 0311, *available at* http://tinyurl.com/gmgukzp. Thus, emotional responses and connections to products and brands are "among the biggest drivers of repeat business." Shaun Smith & Joe Wheeler, *Managing the Customer Experience: Turning Customers into Advocates* 56 (spec. ed., Pearson Custom Publ'g, 2002).

Visual design can even overcome consumers' negative perception of function. Consumer psychology has shown that, "a beautiful product ... can completely overpower negative functionality information." Gratiana Pol et al., *Blinding Beauty: When and How Product Attractiveness Overpowers Negative Information,* Proceedings of the Society for Consumer Psychology 186-87 (Feb. 24-27, 2011). Thus, when researchers presented subjects with reviews depicting a computer as poor in functionality, but then later showed an image of a very attractive computer, the subjects' evaluations of the computer were just as favorable as those of subjects who had been shown favorable functionality reviews. *Id.* Visual attractiveness can even exceed what is known about the product, "generating particularly rich and favorable inferences about missing product attributes." *Id.* at 186.

Particularly important here, because the human information processing system does not separate the physical appearance of an object from the related functions of that object, a consumer's subsequent exposure, experience, or knowledge of a product are cognitively mapped onto the product's visual design such that the look of the product comes to represent the

features, functions, and total user experience of the product itself. A consumer's visual perception of an object is thus "constructed by the knowledge [the consumer] has of [that object]." Daniela Büchler, *How Different Is Different? Visual Perception of the Designed Object* 84-85 (2011).

Thus, when a consumer encounters a known product (or an infringing copy), the consumer identifies the look of the product with the underlying functional features. Design "subsumes all the other factors." Del Coates, *Watches Tell More than Time: Product Design, Information, and the Quest for Elegance* 15 (2003); *see also* Nathan Crilly et al., *Seeing Things: Consumer Response to the Visual Domain in Product Design*, 25 Design Stud. 547, 547 (2004) ("Judgments are often made on the elegance, functionality and social significance of products based largely on visual information.").

For a product that a consumer does not yet own, it is the visual design, rather than text or lists of features, that dominates print, television, and online advertisements, social media platforms, and e-commerce websites. And it the visual design that consumers encounter while walking on the street observing peers using the product—a powerful factor in purchase decisions. Thus, when a consumer encounters a product, the consumer identifies the look of the product with the underlying functional features and the visual design comes to represent the features, functions, and total user experience of the product. In this way, "[c]onsumer preferences and motivation are far less influenced by the functional attributes of products and services than the subconscious sensory

and emotional elements" that are encompassed by the design and "derived by the total experience." Smith & Wheeler, *supra*, at 56 (citation omitted); *see also Crilly*, *supra*, at § 6.4, p. 565 ("[T]he symbolic meaning associated with products often has the potential to dominate the aesthetic and semantic aspects of cognitive response.").

This is especially true in the market for complex technological products. As products have become vastly more complex, consumers have limited understanding of every underlying function and feature. Instead, they rely on the visual design of the product to define its category membership and underlying functionality. Thus, counterintuitively, when a single product performs many complex functions, and when functionality is generally equivalent across manufacturers, design becomes more important, not less. Cognitive scientists have established that "as product quality parity has become the norm," design is a key method for manufacturers to "differentiat[e] their goods." Townsend & Sood, *supra*, at 207. In other words, when consumers are cognitively overloaded with multiple functions and choices, and particularly where those functions are perceived as undifferentiated across products, "aesthetics [is] weighted *more* heavily in the choice decision," and consumers are "more likely to select the better looking option, even when there [is] a price premium." *Id.* at 211, 213 (emphasis added).

By stealing designs, therefore, manufacturers steal not only the visual design of the product, but also the underlying attributes attached to the design

of the product and embodied in the mind of the consumer by the product's visual appearance. When a manufacturer copies the design of a successful product, it captures the consumer's understanding of what the product does and what the product means.

Moreover, copying of a design also allows the copier to enter the marketplace on the back of the brand attributes built by the patent holder—who has expended vast sums and effort in design, development, quality standards, marketing, sales and product promotion. Immensely successful companies use visual design to build their brands, expending time and resources to implement "systematic planning of a consistent aesthetic style that is carried through in everything the company does." Schmitt, *supra*, at 13. Strong design can "enhanc[e] emotional contact with ... customers" and "create positive overall customer impressions that depict the multifaceted personality of the company or brand." *Id.* Consumers come to associate particular designs with specific attributes of companies and products. *Id.* at 11-15. Design patent infringement therefore steals much more than the design itself—it robs innovative companies of the entire positive mental model that consumers have created for their brand.

III. Section 289 Requires Disgorgement Of An Infringer's Total Profits On The Infringing Article Of Manufacture.

A. Section 289 requires disgorgement of "total profits" because it is the infringing design that sells the product and makes it possible to realize profits.

Congress has provided that "[w]hoever invents any new, original and ornamental design for an article of manufacture may obtain a patent therefor." 35 U.S.C. § 171. As Congress correctly recognized, "it is the design that sells" the product and "makes it possible to realize any profit at all." H.R. Rep. No. 1966 (1886), *reprinted in* 18 Cong. Rec. 834 (1887). As demonstrated above, visual design drives sales and comes to represent the product itself in the mind of the consumer. Those who copy patented designs understand this better than anyone. That is why they copy patented designs: to confuse the potential purchaser into buying the copycat product, and to coopt the successful brand of the patent holder. For example, in *K-TEC, Inc. v. Vita-Mix Corp.*, the infringing party started with the patented design and made only "a trivial change," so that "its customers would not be able to distinguish [it] from the [patented] container." 696 F.3d 1364, 1378 (Fed. Cir. 2012).

Congress explained that design patent holders are "entitled to all the good will the design has in the market," and are therefore "entitled to all the profit the infringer made on the goods." 18 Cong. Rec. 834. Section 289 therefore "prevents the infringer from ...

profiting by his infringement." *Id.* It provides that anyone who "during the term of a patent for a design ... (1) applies the patented design, or any colorable imitation thereof, to any article of manufacture for the purpose of sale, or (2) sells or exposes for sale any article of manufacture to which such design or colorable imitation has been applied *shall be liable to the owner to the extent of his total profit.*" 35 U.S.C. § 289 (emphasis added).

Section 289's total profits remedy perfectly mirrors the test for design patent infringement settled 145 years ago in *Gorham Co. v. White*. As this Court explained in *Gorham*, "giving certain new and original appearances to a manufactured article may enhance its salable value [and] may enlarge the demand for it," 81 U.S. at 525. If people who go to purchase "articles of manufacture" "are misled, and *induced to purchase what is not the article they supposed it to be*" because of the deceptive design, "the patentees are injured, and that advantage of a market which the patent was granted to secure is destroyed." *Id.* at 528 (emphasis added). The *Gorham* test for design patent infringement thus incorporates the possibility of a captured sale. "[I]f, in the eye of an ordinary observer, giving such attention as a purchaser usually gives, two designs are substantially the same, if the resemblance is such as to deceive such an observer, *inducing him to purchase one supposing it to be the other*, the first one patented is infringed by the other." *Gorham*, 81 U.S. at 528 (emphasis added); *see also Ethicon Endo-Surgery, Inc. v. Covidien, Inc.*, 796 F.3d 1312, 1335 (Fed. Cir. 2015) (citation omitted) (A design patent is infringed "[i]f, in the eye of an ordinary observer, giving such attention as a purchaser usually

gives, two designs are substantially the same, if the resemblance is such as to deceive such an observer, inducing him to purchase one supposing it to be the other.").

B. Given the jury's infringement finding, Samsung must disgorge its total profits.

This case perfectly illustrates how visual design drives sales and thus why disgorgement of total profits makes sense. Apple's design philosophy encompassed "everything from hardware, software, advertising, communication, and user experience design." Barry M. Katz, *Make It New: A History of Silicon Valley Design* 71 (2015). It required careful consideration of "the aesthetic statement of the enclosure; the software interface ... in short, the emotional valence of the entire product in all its details." *Id.* at 69.

The best example is the iPhone. Without question, the success of the iPhone is due to its merger of industrial design (i.e., the physical appearance of the hardware) and interaction design (i.e., ease of use and GUIs). Apple's entry into the cell phone market sprang from Steve Jobs' observation that "even though [cell phones] do all kinds of stuff—calling, text messaging, Web browsing, contact management, music playback, photos and video—they do it very badly, by forcing you to press lots of tiny buttons and navigate diverse heterogeneous interfaces and squint at a tiny screen." Lev Grossman, *The Apple of Your Ear*, Time, Jan. 12 2007. From the beginning, therefore, iPhone development focused on improving the user

experience through industrial design, not introducing new functions.

The iPhone embodies Jobs' belief that "[d]esign is ... not just what [the product] looks like and feels like. Design is *how* it works." Rob Walker, *The Guts of a New Machine*, N.Y. Times, Nov. 30, 2003 (emphasis added). And the proof, as always, is in the numbers. In the 48 hours following the iPhone's release, Apple sold 270,000 phones. Fred Vogelstein, *Dogfight: How Apple and Google Went to War and Started a Revolution* 77 (2013). "Strangers would accost you in places and ask if they could touch it—as if you had just bought the most beautiful sports car in the world." *Id.* at 80. In just one year, Apple's stock price doubled. *Id.* The iPhone has become a "cultural icon" that "alone generates more revenue for Apple than the entire Microsoft Corporation does." *Id.* at 71.

The iPhone confirms that in the market for complex technology, "attention to a product's appearance promises the manufacturer one of the highest returns on investment," especially given that basic "functionality and performance of products are often taken for granted." Crilly, *supra*, § 9.1, p. 574 (citation omitted). The iPhone did not fundamentally alter the core functionality of the smartphone. Instead, it created a new and vastly simpler and more attractive means of accessing underlying functions based on the application of design principles and practices. The iPhone, after all, "[did]n't even have that many new features—it's not like Jobs invented voice mail, or text messaging, or conference calling or mobile Web browsing." Grossman, *supra*. To the contrary, today's consumers assume that mobile devices will handle voice calls, text

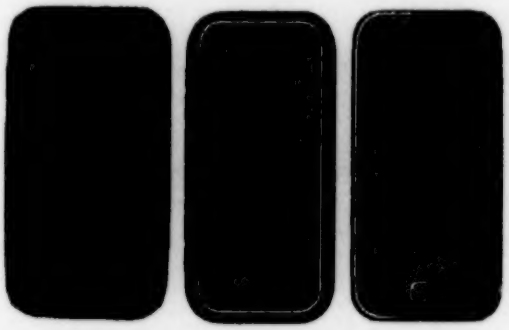
messages, emails, photographs, web browsing, music cataloguing, calendar, databases, and millions of customized applications. But none of these features defines the phone in the mind or eye of the consumer. Instead, it is the visual design of the phone that comes to represent the underlying features. Without the design, the iPhone is simply a pile of electronic components and a few million lines of software code.

In this case, the jury found that Samsung intentionally copied Apple's patents covering the iPhone's front face (U.S. Design Patent No. 618,677), distinctive appearance (U.S. Design Patent No. 593,087), and graphical user interface (U.S. Design Patent No. 604,305). C.A. 640. Indeed, Samsung's infringement covered the most important design elements of the iPhone. The rectangular face with rounded corners, and the home screen with colorful icons, are the most viewed aspects of the device in print and television advertisements, media coverage, and e-commerce websites. In scientific terms, they are the "canonical view" of the phone—that is, the "ideal viewing perspective for optimal recognition." James T Enns, *The Thinking Eye, The Seeing Brain* 205 (2004).

The jury was correctly instructed that it could only find infringement if it found that "in the eye of an ordinary observer, giving such attention as a purchaser usually gives, the resemblance between the two designs is such as to deceive such an observer, *inducing him to purchase [the Samsung phone] supposing it to be [Apple's patented designs].*" C.A. 1394 (emphasis added). Thus, despite Samsung's declaration that the patents it copied do not cover "the iconic look and feel" of the iPhone and instead cover only

"narrow" "partial features of a smartphone's design," Samsung Br. 6 (internal quotation marks omitted), the jury obviously disagreed.

Similarly, Samsung asserts that "[b]efore Apple's iPhone ever entered the market, Samsung had developed mockups and prototypes for round-cornered rectangular flat-screened smartphones," and includes the following images:



Samsung Br. 5. But Samsung conveniently deletes the images that show that its mockups were actually for old-fashioned designs with slide-out keyboards.

JA 248-56, 260, 264-66, 523. Not surprisingly, after copying Apple's designs, Samsung's smartphone market share rocketed "abrupt[ly] upward," C.A.42050-52—jumping from 5% to 20% in just two years, C.A.90104. That is exactly what Samsung was going for. It is therefore appropriate that Samsung disgorge the entire profit it earned from its infringement.

C. Samsung's arguments to the contrary rest on a fundamental misunderstanding of design patents.

1. Samsung argues that this Court should ignore the plain language of § 289, requiring disgorgement of an infringer's total profits, and should adopt a tortured interpretation of the words "article of manufacture," because "[u]nder the Federal Circuit's rule, an infringer of a patented cupholder design must pay its entire profits on a car, an infringer of a patented marine-windshield design must pay its entire profits on a boat, an infringer of a patented, preinstalled musical-note icon design must pay its entire profits on a computer, and so on." Samsung Br. 1, 30-31.

But Samsung's "disastrous practical consequences," Samsung Br. 2, ignore the actual test for design patent infringement. Under the actual test, one who patents a design for a cupholder could never recover profits on an entire car because no one could ever be induced into purchasing a Jeep supposing it to be a Porsche simply because the two have cupholders that look the same. Similarly, no one could ever be induced into purchasing (1) a dinghy supposing it to be a yacht because of the design of the windshield; (2)

a Samsung ChromeBook supposing it to be a MacBook because one musical-note icon looks the same; (3) a Dr. Seuss book believing it to be Shakespeare because of the bookbinding design; (4) a Kenmore refrigerator believing it to be a Sub-Zero because of the refrigerator latch casing, or, finally, (5) any "electronic device" believing it to be an iPhone because of one circular button. Samsung Br. 1, 33, 45-48; U.S. Br. 20-21, 23-24. Samsung's examples go on and on, but none acknowledge that the test for design patent infringement incorporates the possibility of a captured sale.

In order to prove design patent infringement, the owner of a design patent for a cupholder (of which there are a total of 26, *see* http://tinyurl.com/hxkjc9m) would have to show that the allegedly infringing cupholder was sufficiently similar such as to possibly induce Jeep or Porsche to purchase the infringing cupholder for use in its vehicles supposing it to be the patented cupholder design. If the patent owner proved as much, he could then recover the total profits that the infringer earned from selling the copycat cupholders to Jeep or Porsche. *See, e.g., Ethicon Endo-Surgery*, 796 F.3d at 1335.

2. Samsung also asks this Court to ignore the plain language of § 289 because Congress was only concerned with design patents for "carpets, wallpapers, and oil-cloths," and never suggested that "it is the design that sells the article ... for complex products like smartphones." Samsung Br. 2, 14, 25, 40, 41. But this reflects, if anything, the state of industrial design in 1887, not any Congressional judgment that

design patents should not apply to complex technological products. As earlier noted, it is only since the early 20th century that industrial design's influence in the United States has been felt in mass produced consumer goods "in the areas of machinery, appliances, and vehicles." *Supra*, at 7-9; Pulos, *supra*, at 324. In 1887, design was "an indispensable ingredient in the success of domestic furnishings" and generally focused on "cultural products such as pianos, melodeons, and seraphines for music in the home and printing and daguerreotype processes for visual gratification." *Id.* at 133. Yet despite the dramatic increase in the importance of industrial design and Congress's many amendments to the Patent Act since 1887, including eliminating the infringer's total profits as a remedy for utility patent infringement in 1946, *see* Act of Aug. 1, 1946, Ch. 726, 60 Stat. 778, Congress has continually maintained the total profits remedy for design patent infringement and expressly reaffirmed it with the adoption of § 289 in 1952.

3. Samsung's insistence that § 289's total profit rule "would encourage companies to divert research and development from useful technologies to ornamental designs" is false. Samsung Br. 2. As earlier noted, *supra* 30-31, under the current rule for design patent infringement, one could never recover the profits earned from an entire product simply because the product infringed "the most trivial design patent."

Instead, it is weakening § 289 as Samsung urges that would dramatically diminish the value of design and dramatically weaken the United States' competitive position in the world. Design protection "has wide international buy-in." David J. Kappos, *America*

Doesn't Do Enough to Protect Its Innovative Designs, Wired (Nov. 9, 2015), http://tinyurl.com/q5nqspk. If anything, the total profits remedy is weak compared to the remedies for design theft available around the world.

In England, copying a registered design is a criminal offense and infringers face money damages or an account of their profits as an alternative equitable remedy. David Charles Musker, *Industrial Design Rights: United Kingdom, in* Industrial Design Rights: An International Perspective at § 20.05[D], 372-73 (Brian W. Gray & Rita Gao eds., 2d ed. 2016). Design patent infringers in France face not only total profit damages, but also damages reflecting the cost savings of promotional investments resulting from the pirated design, prison sentences of up to three years, and temporary or permanent closure of their business. Alexandra Neri, *Industrial Design Rights: France, in* Industrial Design Rights, *supra* at § 7.05[D], 129-31. Similarly, in Italy design patent infringers face permanent injunctions, attachment and destruction of the counterfeited goods, and criminal sanctions, in addition to money damages. Luigi Pavenello, *Industrial Design Rights: Italy, in* Industrial Design Rights, *supra*, at § 10.05, 191-92.

Thus, to maintain "America's lead" in the field of industrial design, "it is critical that we continue to incentivize investment in great design by ensuring that our design protection laws remain strong," and by rejecting "proposals that seek to drastically alter design protections—including serious consequences for infringement." Kappos, *supra*.

D. This Court should decline to adopt the "totality of the circumstances" test for identifying an article of manufacture.

The United States agrees that § 289 "authorizes a patent owner to recover an infringer's total profit from an infringing article of manufacture." U.S. Br. 10. It also agrees that § 289 "does not permit apportionment based on the extent to which the infringer's profit on the relevant 'article of manufacture' was attributable to the infringing design." *Id.* at 11. However, it suggests a multi-factored, indeterminate "totality of the circumstances" "case specific analysis" for identifying the relevant article of manufacture. *Id.* at 25.

According to the United States, in determining the relevant "article of manufacture," the jury should consider the scope of the claimed design, the extent to which the design determines the appearance of the product as a whole, the existence of unrelated elements of the product, the extent to which various components can be physically separated from the product as a whole, and the manner in which the components were manufactured. *Id.* at 27-30. The United States offers no guidance on how these "considerations" should be weighed, but it implies that a design for a Volkswagen Beetle might not apply to the car as a whole, but only to the "appearance of the automobile's body." *Id.* at 26. Therefore, if a car company were to intentionally copy the patented design for the Volkswagen Beetle (*see* U.S. Design Patent No. D729,697 (May 19, 2015)) down to the very last detail, and a reasonable observer could buy the counterfeit car believing it to be a Beetle, Volkswagen would be

entitled only to the profits that the counterfeiter earned on the car's outer body shell, not on the car itself.

If anything, the VW example confirms the sense of the total profits rule. Volkswagen "consistently uses design to build a cult-like customer culture," which it protects through design patents. Butler, *supra*, at 208. And today, design "outranks all other considerations as the prime motivator of most new-car purchase decisions." Lamm, *supra*, at 8. "Reliability, braking, steering, handling, ride, and refinement are all largely on par across automakers and segments." Bob Lutz, *Go Lutz Yourself: There Are No Bad Cars, Only Bad Designs*, Road & Track (Aug. 13, 2015), http://tinyurl.com/zgbqz9h. Indeed, "[t]he days of seeing a comparison test of four cars where one is the obvious loser are gone, replaced by a new age of automotive equality." *Id.* In today's world, there is "just one chief differentiator" when it comes to cars: design. *Id.* Therefore, one who copies a car's design should disgorge all profits.

In any case, it is not the role of the jury to engage in amorphous and indeterminate balancing tests that have no basis in the statutory text. Pursuant to § 289, it is the role of the jury to decide whether "in the eye of an ordinary observer, giving such attention as a purchaser usually gives, the resemblance between the two designs is such as to deceive such an observer, inducing him to purchase one supposing it to be the other," and, if so, to award the total profits the copier earned from his infringement. That is exactly what the jury did here. The Court should affirm.

CONCLUSION

The judgment of the Court of Appeals should be affirmed.

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IN THE

Supreme Court of the United States

SAMSUNG ELECTRONICS CO., LTD., SAMSUNG ELECTRONICS AMERICA, INC., AND SAMSUNG TELECOMMUNICATIONS AMERICA, LLC,

Petitioners,

v.

APPLE INC.,

Respondent.

ON WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

BRIEF OF PUBLIC KNOWLEDGE, THE ELECTRONIC FRONTIER FOUNDATION, THE R STREET INSTITUTE, THE AMERICAN ANTITRUST INSTITUTE, AND IP JUSTICE AS *AMICI CURIAE* IN SUPPORT OF PETITIONERS

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TABLE OF CONTENTS

TABLE OF AUTHORITIES ii
INTEREST OF *AMICI CURIAE* 1
SUMMARY OF ARGUMENT 3
ARGUMENT 6

I. The Federal Circuit's Construction Is Not Mandated by the Text of Section 289 6

II. Section 289 Should Be Interpreted to Promote Fairness and Economic Efficiency Rather Than to Overcompensate One Party 8
   A. Alternate Interpretations Would Better Promote Innovation 9
   B. Economic Concerns with Holdup and Royalty Stacking Militate in Favor of an Alternate Interpretation 12

III. The Federal Circuit's Interpretation Invites an Industry of Counterproductive Patent Litigation 16
   A. Design Patents Are Ripe for Abuse, Especially with the Enticement of Total Profits 16
   B. Analogous Federal Circuit Rules Have Created Cottage Industries of Patent Litigation 21

IV. Section 289 Should Be Interpreted in a Way that Avoids Serious Constitutional Doubts 25
   A. Due Process May Disallow Certain Excessively High Damages Awards 26
   B. A Total Profits Award, Irrespective of Actual Harm, Potentially Violates These Due Process Principles 28
   C. Alternative Interpretations of Section 289 Avoid These Constitutional Doubts 31

CONCLUSION 33

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CASES

Alice Corp. Pty. Ltd. v. CLS Bank International,
134 S. Ct. 2347 (2014) 24

Apple Inc. v. Samsung Electronics Co.,
786 F.3d 983 (Fed. Cir. 2015) 7

Ashwander v. Tennessee Valley Authority,
297 U.S. 288 (1936) 32

Bilski v. Kappos,
561 U.S. 593 (2010) 23

BMW of North America v. Gore,
517 U.S. 559 (1996) 27, 29–31

Bonito Boats, Inc. v. Thunder Craft Boats, Inc.,
489 U.S. 141 (1989) 9

BP Lubricants USA Inc., In re,
637 F.3d 1307 (Fed. Cir. 2011) 23

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501 F.3d 297 (3d Cir. 2007) 13

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393 F.3d 1378 (Fed. Cir. 2005), *overruled by Octane Fitness, LLC v. Icon Health & Fitness, Inc.*, 134 S. Ct. 1749 (2014) 24

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135 S. Ct. 1920 (2015) 25

Commonwealth v. O'Laughlin,
830 N.E.2d 222 (Mass. 2005) 16

Cooper Industries, Inc. v. Leatherman Tool Group, Inc.,
532 U.S. 424 (2001) 27, 29

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285 U.S. 22 (1932) 32

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489 U.S. 189 (1989) 26

eBay Inc. v. MercExchange, LLC,
547 U.S. 388 (2006) 13, 25

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773 F.3d 1201 (Fed. Cir. 2014) 13

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590 F.3d 1295 (Fed. Cir. 2009) 3, 22–23

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111 U.S. 120 (1884) 10

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533 U.S. 289 (2001) 32

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No. 15-1189 (Mar. 21, 2016) 21

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62 U.S. (21 How.) 322 (1859) 9

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v. Impression Products, Inc.,
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Medtronic, Inc. v. Mirowski Family Ventures, LLC,
134 S. Ct. 843 (2014) 20

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545 U.S. 193 (2005) 15

Microsoft Corp. v. Motorola, Inc.,
795 F.3d 1024 (9th Cir. 2015) . . 13–14

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v. Sebelius,
132 S. Ct. 2566 (2012) 32

Nike Inc. v. Wal-Mart Stores, Inc.,
138 F.3d 1437 (Fed. Cir. 1998) 6, 20

Nordock, Inc. v. Systems Inc.,
803 F.3d 1344 (Fed. Cir. 2015) 7, 29

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557 P.2d 835 (Colo. 1976) 16

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549 U.S. 346 (2007) 28–29

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v. Automotive Maintenance Machinery Co.,
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207 U.S. 73 (1907) 27

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309 U.S. 390 (1940) 30

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238 U.S. 482 (1915) 26–27, 30

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538 U.S. 408 (2003) 27, 29

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STATUTES

35 U.S.C. § 120 19

——— § 285 24

——— § 287 20

——— § 289 . . . . . 3–12, 14–16, 20, 28–32

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Act of July 19, 1952, ch. 950, 66 Stat. 792 11

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INTEREST OF *AMICI CURIAE*

Public Knowledge[1] is a non-profit organization that is dedicated to preserving the openness of the Internet and the public's access to knowledge, promoting creativity through balanced intellectual property rights, and upholding and protecting the rights of consumers to use innovative technology lawfully. Public Knowledge advocates on behalf of the public interest for a balanced patent system, particularly with respect to new and emerging technologies.

The Electronic Frontier Foundation ("EFF") is a non-profit civil liberties organization that has worked for over 25 years to protect consumer interests, innovation, and free expression in the digital world. EFF and its more than 23,500 dues-paying members have a strong interest in helping the courts ensure that intellectual property law serves the public interest.

The R Street Institute is a non-profit, non-partisan public-policy research organization. R Street's mission is to engage in policy research and educational outreach that promotes free markets, as well as limited yet effective government, including properly calibrated legal and regulatory frameworks that support Internet economic growth and individual liberty. R Street's particular focus on Internet law and policy is one of offering research and analysis that show the advantages of a more market-oriented society and of more effective, more efficient laws

[1] Pursuant to Supreme Court Rule 37.3(a), all parties received appropriate notice of and consented to the filing of this brief. Pursuant to Rule 37.6, no counsel for a party authored this brief in whole or in part, and no counsel or party made a monetary contribution intended to fund the preparation or submission of the brief. No person or entity, other than *amici*, their members, or their counsel, made a monetary contribution to the preparation or submission of this brief.

and regulations that protect freedom of expression and privacy.

The American Antitrust Institute (AAI) is an independent, nonprofit organization devoted to promoting competition that protects consumers, businesses, and society. It serves the public through education, research, and advocacy on the benefits of competition and the use of antitrust enforcement as a vital component of national and international competition policy. The AAI has long recognized the important role that a balanced patent system can play in promoting competition, innovation, and consumer welfare.

IP Justice, founded in 2002, is an international civil liberties organization that promotes Internet freedom, innovation policy, and balanced intellectual property rights. Although based in San Francisco, IP Justice participates in a number of international law and Internet policy venues which impact digital rights including the Internet Corporation for Assigned Names and Numbers (ICANN), the UN World Intellectual Property Organization (WIPO), the UN Internet Governance Forum (IGF), and other international treaty and trade agreements addressing Internet policy and intellectual property rights. IP Justice has held an accredited consultative status with ECOSOC, the Economic and Social Council of the United Nations, since 2003.

SUMMARY OF ARGUMENT

Five years ago, the United States Court of Appeals for the Federal Circuit construed a statute in a way that led to one of the most disastrous episodes in modern patent law. The court thought its construction unremarkable, based on the "plain language" of the statute. But that court's interpretation, which authorized vast monetary awards in certain patent lawsuits, had far-reaching effects. The decision would trigger *six hundred and seventy-five* new lawsuits within a year, create a cottage industry of litigation firms, force companies to scramble to avoid "staggering fines," and draw criticism as "a shift in wealth to lawyers."[2]

The case thus described was *Forest Group, Inc. v. Bon Tool Co.* and related to patent marking, but it could be the present design patent damages case in five years' time if history is any guide. For the Federal Circuit's decision here, interpreting 35 U.S.C. § 289 to require an award of total profits on any consumer product that infringes a design patent, sets up the same precarious situation as the widely denounced interpretation of 35 U.S.C. § 292 in *Forest Group* that authorized potentially enormous false marking awards.

This Court should reverse the Federal Circuit and construe § 289 to balance the equities among patent owners, industry, and the public. The statutory text is more open to interpretation than the Court of Appeals assumed it to be. Given that interpretive flexibility, there are at least three reasons why this Court should reject the Federal Circuit's construction and adopt a different one.

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[2] *See* Section III.B(1) *infra* p. 22.

First, the Federal Circuit's construction will undermine the patent system. With many design patents being directed to only minor parts of products, awarding the total profits on such products will greatly overvalue the patents and undervalue the numerous other features in those products. This possibility will likely raise prices, discourage new goods and services from coming to market, and thus impede consumers' access to new technologies contrary to the constitutional mandate that patents promote progress. It also opens the door to the economic inefficiencies of patent holdup and royalty stacking, which work to disincentivize future invention and productivity.

Second, there are strong reasons to believe that the Federal Circuit's interpretation will create a costly and abusive new industry of design patent assertion that will enrich a few clever litigators at the expense of the public. With the Federal Circuit's decision offering the promise of enormous damage awards, and with extant substantive law already making it easy to obtain broad-scoped design patents, design patent law offers the motive, means, and opportunity for widespread and abusive litigation. Indeed, history shows that, at least three times, the Federal Circuit has devised rigid rules that have fostered patent-related litigation industries, including the patent marking situation described above.

Third, affirming the Federal Circuit's reading of § 289 may invite a serious question of the constitutionality of that damages statute. This Court has held for a century that excessively high damages awards, disproportionate to the magnitude of the actual offense, can run afoul of the Due Process Clauses of the Fifth and Fourteenth Amendments, in the contexts of both punitive damages

and statutory awards. An award of total profits on a product for infringement of a design patent of minor or inconsequential value to that product is potentially impermissible under this jurisprudence, and may render § 289's application unconstitutional in many cases should the Federal Circuit's interpretation stand. This Court has often sought to construe statutes to avoid serious doubts as to their constitutionality where such statutes permit alternative interpretations; it should again do so here.

Too often has the patent system been beleaguered by unbalanced rules that favor a small class of rightsholders at the expense of the public good and the constitutional mandate for that system. Too rarely does this Court receive a timely case allowing it to nip that imbalance in the bud, before the harm is done, simply by correcting a wayward construction of a patent statute. This is that timely case.

To prevent such harm from occurring, to protect the public interest, and to ensure that § 289 comports with the objects of the patent system, this Court should reverse.

ARGUMENT

I. THE FEDERAL CIRCUIT'S CONSTRUCTION IS NOT MANDATED BY THE TEXT OF SECTION 289

Contrary to the decision of the Court of Appeals, the design patent damages statute is not so wholly inflexible as to require an award of total profits on entire products in all cases. The statutory language is sufficiently ambiguous to permit a proper interpretation that more appropriately balances the interests of the patent system.

Statutory construction requires a complete view of the text of a statute in the context of the broader law and policy. "In expounding a statute," explained Justice Taney, "we must not be guided by a single sentence or member of a sentence, but look to the provisions of the whole law, and to its object and policy." *United States v. Heirs of Boisdore*, 49 U.S. (8 How.) 113, 122 (1850); *see also United Sav. Ass'n v. Timbers of Inwood Forest Assocs.*, 484 U.S. 365, 371 (1988) ("Statutory construction, however, is a holistic endeavor."); *Robinson v. Shell Oil Co.*, 519 U.S. 337, 341 (1997); *Yates v. United States*, 135 S. Ct. 1074, 1082 (2015) (Ginsburg, J., op.) ("dictionary definitions . . . are not dispositive of the meaning" of a statute); *id.* at 1092 (Kagan, J., dissenting) ("I agree with the plurality (really, who does not?) that context matters in interpreting statutes.").

The Federal Circuit claimed to be "bound by what the statute says" in holding that 35 U.S.C. § 289 requires[3] awarding patentees the "total profit from the article of

[3]Respondent faults *amici* for a "mistaken assumption that the Federal Circuit's ruling *requires*" a total profit award. Br. Opp'n 34–35 n.15. But the Federal Circuit has at least twice said that § 289 "*requires* the disgorgement of the infringers' profits." *Nike Inc. v. Wal-Mart Stores, Inc.*, 138 F.3d 1437, 1448 (Fed. Cir. 1998) (empha-

manufacture bearing the patented design," by which it means the total profit on the whole product as sold to consumers. *Apple Inc. v. Samsung Elecs. Co.*, 786 F.3d 983, 1001–02 & n.1 (Fed. Cir. 2015). But the statutory language is not so plain and mandatory in that respect.

The statute states, in relevant part, that an infringer of a design patent "shall be liable to the owner *to the extent of his total profit*, but not less than $250." 35 U.S.C. § 289 (emphasis added). Read literally, then, the statute does not limit the award to the "total profit *from the article of manufacture*," as the Federal Circuit held; total profits would seem to apply to all products sold or services rendered, infringing or not. According to the text of § 289, Samsung would theoretically be liable to Apple for its profits from selling washing machines.

Thus, even the Federal Circuit's interpretation acknowledges and depends on ambiguity in the statutory text.

But there is no good reason that the Federal Circuit's limitation on the scope of § 289, cabining total profits at the level of consumer articles, is the right line to draw. Petitioners and several *amici* have proposed alternate interpretations of § 289. *See, e.g.*, Br. 37 Intellectual Property Law Professors 17, Jan. 15, 2016; Br. Computer and Communications Industry Association 9, Jan. 15, 2016.

Accordingly, the statutory language is sufficiently ambiguous to allow interpreting § 289 in a manner consonant with the overall "object and policy" of patent law, namely "to promote the progress of science and useful arts." U.S. Const. art. I, § 8, cl. 8.

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sis added); *Nordock, Inc. v. Sys. Inc.*, 803 F.3d 1344, 1354 (Fed. Cir. 2015).

II. SECTION 289 SHOULD BE INTERPRETED TO PROMOTE FAIRNESS AND ECONOMIC EFFICIENCY RATHER THAN TO OVERCOMPENSATE ONE PARTY

This Court should interpret § 289 in a way that advances the public purpose of the patent system, namely to offer a fair reward to inventors without unduly burdening the public interest in access to technology. The Federal Circuit's approach fails to strike that balance.

Many design patents are directed not to entire products, but rather only to small components or parts. By contrast, the products that potentially infringe design patents are often complex ones incorporating numerous technologies and designs. "Modern devices may potentially infringe many thousands of patents, held by numerous different owners." William F. Lee & A. Douglas Melamed, *Breaking the Vicious Cycle of Patent Damages*, 101 Cornell L. Rev. 385, 407 (2016). Thus, the profits on a complex product may derive from myriad technological and design innovations, any combination of which might drive consumers' purchasing decisions.

As a result, awarding total profits on an entire product for a patent on only a small component gives design patentees a windfall of profits attributable to a large number of far more significant elements, including those covered by other utility and design patents. *See* Mark A. Lemley, *A Rational System of Design Patent Remedies*, 17 Stan. Tech. L. Rev. 219, 232–33 (2013).

Alternate interpretations of § 289 will better allocate value between a patent owner and a product manufacturer. That correct allocation will have at least two benefits. First, it would encourage future innovation by better accounting for future inventors and creators. Second, it

would avoid the known economic inefficiency problems of "patent holdup" and "royalty stacking." Accordingly, this Court should reject the Federal Circuit's interpretation of § 289 and adopt a different reading that accommodates these important considerations.

A. Alternate Interpretations Would Better Promote Innovation

An alternate reading of § 289 would better serve the basic purpose of the patent system, namely enhancing the public interest in greater access to technology. This purpose, enshrined in the Constitution and in this Court's decisions, is best served through appropriate limits on the strength of patents, including limiting infringement damages to a proper measure of the patentee's inventive contribution. But the Federal Circuit's total-profits interpretation grants excessive damages that would break this balance, and so it should be rejected.

1. The primary purpose of the patent system is to encourage innovation and ultimately to benefit the public. The Constitution authorizes Congress to create a patent system, but only one that is directed "to promote the progress of science and useful arts." U.S. Const. art. I, § 8, cl. 8; *see Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 146 (1989) ("the Clause contains both a grant of power and certain limitations upon the exercise of that power."). The "primary object" of patents is "the benefit to the public or community at large." *Kendall v. Winsor*, 62 U.S. (21 How.) 322, 327–28 (1859). Thus, "the patent power may not overreach the restraints imposed by the stated constitutional purpose." *Graham v. John Deere Co.*, 383 U.S. 1, 6 (1966).

Limiting damages to the inventive contribution of the patentee is critical to maintaining that public purpose of patents. *Garretson v. Clark* affirmed that patentees should "in every case give evidence tending to separate or apportion the defendant's profits and the patentee's damages between the patented feature and the unpatented feature." 111 U.S. 120, 121 (1884). In particular, damages based on the whole machine are appropriate only given evidence that the value of the whole machine could be "properly and legally attributable to the patented feature." *Id.*; *see also Westinghouse Co. v. Wagner Mfg. Co.*, 225 U.S. 604, 614–15 (1912) ("[I]f plaintiff's patent only created a part of the profits, he is only entitled to recover that part of the net gains.").

Following *Garretson*, the recent case *VirnetX, Inc. v. Cisco Systems, Inc.* held that a patentee could be awarded "only those damages attributable to the infringing features." 767 F.3d 1308, 1326 (Fed. Cir. 2014). Such a rule was necessary, said the Federal Circuit, to ensure that the award "does not overreach and encompass components not covered by the patent." *Id.* (citing *LaserDynamics, Inc. v. Quanta Computer, Inc.*, 694 F.3d 1255, 67–68, 70 (Fed. Cir. 2012)).

2. By requiring an award of total profits on the entire consumer product, the Federal Circuit's reading of § 289 breaks this balance. In most circumstances not all of the infringer's profits are attributable to the infringing patent—it would be highly unbalanced, for example, to award an owner of a patent on a tire design the total profits on a vehicle. "[A]warding the plaintiff any more than the lost profit attributable to the component . . . would in effect expand the scope of the plaintiff's patent to encompass the entire final product." Roger D. Blair & Thomas

F. Cotter, *Rethinking Patent Damages*, 10 Tex. Intell. Prop. L.J. 1, 14 (2001).

The Federal Circuit's rule ignores the interests of others whose innovations contributed to the profitability of the same product. By allocating 100% of the profits on a product to a design patent asserter and 0% to all other contributors to that product, that rule strips away any incentives for those other contributors to innovate, directly contravening the constitutional purpose of the patent system. *See* Section II.B(2) *infra* p. 14 (discussing "royalty stacking," where the sum of patent royalties exceeds 100% of the value of the product).

The degree of overcompensation is most stark in the increasingly likely scenario of "innocent" infringement,[4] that is, where the manufacturer arrived at a similar design through its own inventive efforts. Damages under § 289 require no showing of the infringer's knowledge of infringement, of the patent itself, or of other products incorporating the design. *See* Br. Pet'rs 16 (citing Act of July 19, 1952, ch. 950, § 289, 66 Stat. 792, 813–14). A company could develop a new product coincidentally using a minor patented design and then be blindsided with loss of all profits on that product. This possibility would dissuade new firms from developing innovative products and bringing them to market. *Cf.* Colleen Chien, *Startups and Patent Trolls*, 17 Stan. Tech. L. Rev. 461, 477 (2014) (documenting small companies' avoidance of technology and markets out of fear of patent assertion); James Bessen, *The Evidence Is In: Patent Trolls Do Hurt Innovation*, Harv. Bus. Rev. (July 25, 2014), URL *supra* p. vii.

[4]The numerous design patents being obtained on the most basic shapes and designs, *see infra* p. 18, make innocent infringement more and more likely.

By requiring awards of total profits on whole consumer products, the Federal Circuit's interpretation of § 289 will increase risk for those who want to develop new products or services, and thereby deter innovation. Accordingly, this Court should adopt an alternative interpretation of § 289 crafted to promote innovation rather than overcompensation, to favor a balance between the public interest and patentees, and to advance the needs of business, the economy, and the public.

B. Economic Concerns with Holdup and Royalty Stacking Militate in Favor of an Alternate Interpretation

An interpretation of § 289 different from the Federal Circuit's rule would avoid two problematic economic inefficiencies: patent holdup and royalty stacking.

1. "Holdup" refers to the situation where one firm sinks startup investments into a project, only to be forced later into negotiations with an outside party having the power to block that project. The firm is forced to choose between abandoning the project and the sunk costs or paying the outside party theoretically up to the entire value of the project. *See* Dieter Balkenborg et al., *A Simple Economic Teaching Experiment on the Hold-Up Problem*, 43 J. Econ. Educ. 377 (2012) (describing holdup and surveying literature); Benjamin Klein et al., *Vertical Integration, Appropriable Rents, and the Competitive Contracting Process*, 21 J.L. & Econ. 297, 298 (1978). "It is as if the sawmill owner set its prices [for purchasing logs] only after a logger transported its logs to the sawmill, unloaded them, and sent its trucks away." Joseph Farrell et al., *Standard Setting, Patents, and Hold-Up*, 74 Antitrust L.J. 603, 612 (2007).

Holdup creates perverse *ex ante* incentives and harms static and dynamic efficiency. Any excessive payments that the firm makes due to threat of holdup translate to downstream costs to consumers. And the victimized firm, anticipating the loss of the value of its startup investments as a result of holdup, may decline *ex ante* to invest in future projects. *See* Thomas F. Cotter, *Patent Holdup, Patent Remedies, and Antitrust Responses*, 34 J. Corp. L. 1151, 1169 (2009); Joseph S. Miller, *Standard Setting, Patents, and Access Lock-In: RAND Licensing and the Theory of the Firm*, 40 Ind. L. Rev. 351, 366–67 n.65 (2007). Where holdup is enabled, fewer products and services make it to market, harming consumers' access to and choice of technology. Colleen V. Chien & Mark A. Lemley, *Patent Holdup, the ITC, and the Public Interest*, 98 Cornell L. Rev. 1, 6 (2012).

In the patent context, the harms of holdup have been recognized by no small number of authorities. Justice Kennedy warned in *eBay Inc. v. MercExchange, LLC* that where "the patented invention is but a small component of the product," an injunction could be "employed as a bargaining tool to charge exorbitant fees to companies that seek to buy licenses to practice the patent"—that is, as a tool for patent holdup. 547 U.S. 388, 396 (2006) (concurring op.).[5] The Department of Justice, Federal Trade Commission, and Patent and Trademark Office have all recognized the risks of patent holdup.[6]

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[5] *See also Microsoft Corp. v. Motorola, Inc.*, 795 F.3d 1024, 1031 (9th Cir. 2015); *Broadcom Corp. v. Qualcomm Inc.*, 501 F.3d 297, 310 (3d Cir. 2007); *Ericsson, Inc. v. D-Link Sys., Inc.*, 773 F.3d 1201, 1209 (Fed. Cir. 2014).

[6] U.S. Dep't of Justice & Fed. Trade Comm'n, *Antitrust Enforcement and Intellectual Property Rights: Promoting Innovation and Competition* 35–37 (2007), *available at* URL *supra* p. ix; U.S. Dep't

Here, the Federal Circuit's interpretation of § 289 would likely lead to the same results as patent holdup. While holdup normally involves an injunction threat, the effect of disgorgement of all profits on a product is the same: the nominal right to continue manufacturing is a nullity when every cent of the value is taken away. *Cf.* Cotter, *supra*, at 1171 (excessive damages "could cause much the same harm to static and dynamic efficiency" as an injunction). The mere threat of design patent litigation may be used as a club to extract excessive payments that will be passed on to consumers. *See* Section III *infra* p. 16. And if companies like Samsung contemplated that their investments in phone designs would yield no profits in view of a single infringement case, then such companies would be wary of investing in new designs, the exact loss that holdup theory predicts.

2. "Royalty stacking" is another problem that will likely also result from the Federal Circuit's reading of § 289. Royalty stacking occurs when multiple patentees each are able to obtain an infringement royalty that is greater than the proportional contribution of each patent to the infringing product. The total "stack" of royalties, as a result, can exceed 100% of the product's total value, meaning that the infringing manufacturer would have to pay more in royalties than the manufacturer actually earns in sales. *See Microsoft Corp. v. Motorola, Inc.*, 795 F.3d 1024, 1031 (9th Cir. 2015); Cotter, *supra*, at 1169.

The harms of royalty stacking are similar to those of patent holdup: manufacturers who wish to develop new products will likely be discouraged *ex ante* by the

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of Justice & U.S. Patent & Trademark Office, *Policy Statement on Remedies for Standards-Essential Patents Subject to Voluntary F/RAND Commitments* 4 (Jan. 8, 2013), URL *supra* p. ix.

prospect of potentially having to go into debt to pay royalties. *See* Mark A. Lemley & Carl Shapiro, *Patent Holdup and Royalty Stacking*, 85 Tex. L. Rev. 1991, 2012 (2007). As the Federal Circuit recognized in the pharmaceutical development context, "[t]he cumulative effect of such stacking royalties can be substantial." *Integra Lifesciences I, Ltd. v. Merck KGaA*, 331 F.3d 860, 871 (2003) (citing Donald R. Ware, *Research Tool Patents: Judicial Remedies*, 30 AIPLA Q.J. 267, 295 (2002)), *vacated on other grounds*, 545 U.S. 193 (2005).

By authorizing total profits recovery to every design patent owner, the Federal Circuit's rule creates a clear path to royalty stacking. Although § 289 does not allow "an owner of an infringed patent" to "twice recover the profit made from the infringement," the statute does not deal with a situation where patents of two different patentees are involved. If two design patent owners succeed in showing that a product infringes their respective patents, then the product manufacturer could theoretically owe twice its entire profits. Or if a product infringes a design patent and a utility patent, the manufacturer could owe total profits plus a reasonable royalty.[7]

Accordingly, the total profit award authorized by the Federal Circuit potentially leads to patent holdup and royalty stacking. These consequences suggest the error of the Federal Circuit's interpretation of § 289 and the superiority of an alternate one.

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[7]A court might try to avoid this situation by deeming that, after the first award of total profits, there are no more profits to be awarded such that future patent asserters would receive nothing. Such a result would introduce an extremely strange path-dependence into patent infringement, wherein the patent damages award turns on the order in which lawsuits are filed, and it would also induce a race to the courthouse over design patents.

III. THE FEDERAL CIRCUIT'S INTERPRETATION INVITES AN INDUSTRY OF COUNTERPRODUCTIVE PATENT LITIGATION

The rigid "total profits" rule will almost certainly spawn a cottage industry of opportunistic litigation, compounding the harms described above. The present ease of obtaining broad design patents on simple concepts means that the stage is already set for opportunities for abusive design patent litigation. And the situation with design patents is highly analogous to other situations where newly-minted Federal Circuit rules triggered waves of litigation. In other contexts this Court has sought to avoid incubating patent litigation industries; it should seek to avoid the same possibility here.

A. DESIGN PATENTS ARE RIPE FOR ABUSE, ESPECIALLY WITH THE ENTICEMENT OF TOTAL PROFITS

Means, motive, and opportunity are the elements conducive to bad acts.[8] Current law makes it almost trivially easy to obtain design patents—the means—that have broad scope and that are likely to sweep in large ranges of unintentional infringers—the opportunity. By opening the door to potentially enormous total-profits awards, the Federal Circuit's interpretation of § 289 adds the final leg of the triad—the motive—for the rise of a design patent litigation industry.

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[8] *See, e.g., People v. Downer*, 557 P.2d 835, 839 (Colo. 1976); *Welch v. Bd. of Prof'l Responsibility*, 193 S.W.3d 457, 466 (2006). These three elements alone will not support a criminal conviction, *see Commonwealth v. O'Laughlin*, 830 N.E.2d 222, 231 (Mass. 2005), but the presence of all three is certainly probative of likelihood that the bad acts will occur. *Cf.* Fed. R. Evid. 404(b)(2).

FIG. 1

Gift Bag, U.S. Patent No. D739,765 fig.1 (issued Sept. 29, 2015).

Fig. 2

Mirror, U.S. Patent No. D754,979 fig.2 (issued May 3, 2016).

FIG. 1

Decorative Television Frame, U.S. Patent No. D755,744 fig.1 (issued May 10, 2016).

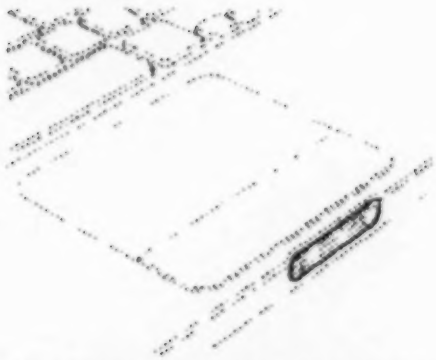
Figure 1: Example design patents recently issued.

The Means. Design patents are routinely granted on the most trivial aspects of consumer products. In 2014, the Patent and Trademark Office granted 24,008 design patents while only 2,828 applications went abandoned, meaning that a design patent application that year had an 89.5% chance of being granted. U.S. Patent & Trademark Office, *Performance and Accountability Report, Fiscal Year 2015*, at 184 tbl.1 (2015), *available at* URL *supra* p. ix. Compared to utility and other patents, which had a 51.5% probability of grant that year, a design application is practically a sure bet for obtaining a patent.

Within that 89.5% cohort of granted design patents, it is easy to find ones of dubious validity. As shown in Figure 1 above, recently issued patents include designs as pedestrian as a Christmas stocking, a wall mirror, and a television screen. *See also* Sarah Burstein, *Moving Beyond the Standard Criticisms of Design Patents*, 17 Stan. Tech. L. Rev. 305, 324–28 (2013) (describing Federal Circuit law that "may explain, at least in part, why the PTO has been issuing design patents for so many apparently obvious designs lately").

The Opportunity. It is not just that design patents routinely issue on commonplace designs: the law permits issuance of very broad patents that can easily sweep in unsuspecting companies as infringers. Current design patent laws and regulations "allow the patentee to adjust his patent coverage" by replacing solid lines in the figures with dashed ones, as dashed lines are not considered part of the design claimed by the patent. *In re Owens*, 710 F.3d 1362, 1367 (Fed. Cir. 2013); *see also* U.S. Patent & Trademark Office, *Manual of Patent Examining Procedure* § 1503.02(III) (9th ed. Nov. 2015). Furthermore, the applicant can use continuation practice to obtain multi-

U.S. Patent No. D558,753 fig.1 (issued Jan. 1, 2008).



U.S. Patent No. D741,316 fig.1 (issued Oct. 20, 2015) (enlarged fragment).

Figure 2: Example design patent continuations.

ple patents from a single application and thus revise the scope of patented subject matter over time. *See* 35 U.S.C. § 120; *In re Salmon*, 705 F.2d 1579, 1579 (Fed. Cir. 1983).

These two legal tools allow a design patent owner to render a large swath of competitors or other manufacturing companies liable for infringement. For example, Figure 2 shows figures from two Apple design patents, the right one being a continuation of the left. While the older patent is extremely "narrow," claiming nearly the whole laptop design, the newer patent replaces nearly the entire figure with unclaimed dashed lines, claiming only the small oblong shape of the front push latch. Thus, a different-looking laptop using a similar-shaped latch would infringe the newer patent, but not the older.

This practice makes it difficult to avoid infringement through design-around. A hypothetical Apple competitor could have tailored its activity to avoid infringing the earlier patent, and yet find itself infringing the later issued

patent. *See* Sarah Burstein, *Costly Designs*, 77 Ohio St. L.J. 107, 116–17 (2016).[9]

And those who unintentionally use a patented design are in an even worse situation, having no good way to determine what design patents may be implicated by their products. The mutability of design patents through broken lines and continuations, combined with the general difficulty of finding similar images, makes searching the patent catalog an exercise in futility. Nor would review of competing products on the shelves be more effective: patent marking on products is incomplete at best.[10] Product makers and sellers have limited ability to avoid potential infringement claims, meaning that design patent owners have a wide opportunity to bring lawsuits.

The Motive. With the means and opportunity for widespread design patent litigation established, only the motive for bringing such suits remains. That motive is created by the Federal Circuit's reading of § 289 to award total profits on consumer products, giving design patent holders the possibility of large windfalls in damages.

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[9]One practitioner apparently applauds this strategy, calling it "well-accepted patent gamesmanship" and "one of the most powerful weapons in a design patentee's arsenal." *See* Perry J. Saidman, *The Crisis in the Law of Designs*, 89 J. Pat. & Trademark Off. Soc'y 301, 319–24 (2007). Query whether giving a "powerful weapon" to patentees is the right result. *Cf. Medtronic, Inc. v. Mirowski Family Ventures, LLC*, 134 S. Ct. 843, 851 (2014) ("But the 'public' also has a 'paramount interest in seeing that patent monopolies . are kept within their legitimate scope.'") (quoting *Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co.*, 324 U.S. 806, 816 (1945)).

[10]While marking under 35 U.S.C. § 287 is a prerequisite to design patent damages, *see Nike Inc. v. Wal-Mart Stores, Inc.*, 138 F.3d 1437, 1446 (Fed. Cir. 1998), marking will not reveal patents issued after the products were marked, and it will not reveal patents held by non-manufacturing owners.

Design patentees may augment these already large potential awards in at least two ways. First, they may opt not to license to or sue component manufacturers, waiting instead to seek a greater damages award based on more complete, and more profitable, downstream products. *See* Lee & Melamed, *supra*, at 427 n.201. Second, they may take advantage of the Federal Circuit's questionable recent decision in *Lexmark International, Inc. v. Impression Products, Inc.*, 816 F.3d 721 (Fed. Cir. 2016) (en banc), *petition for cert. filed*, No. 15-1189 (Mar. 21, 2016), and use the device of conditional sales to control the secondary resale market as well as to extract the profits of competitors.[11]

Accordingly, the means, motive, and opportunity for a new wave of design patent litigation are all present in view of the Federal Circuit's decision here. By reversing that decision, this Court would forestall such an undesirable result.

B. Analogous Federal Circuit Rules Have Created Cottage Industries of Patent Litigation

The likelihood that the Federal Circuit's decision will give rise to an industry of design patent litigation is illuminated by the fact that other recent Federal Circuit decisions have given rise to industries of patent litigation, ones that have harmed the patent system and the public.

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[11] *Lexmark* held that, where a patent holder manufactures products and places a notice of conditions on the packaging, downstream resellers or users who violate the conditions would be liable for patent infringement, despite the patent exhaustion doctrine. *See id.* at 773–74. Several *amici* filed a brief with this Court arguing that *Lexmark* is incorrect and contrary to Supreme Court precedent.

1. Most analogous to the present case, the Federal Circuit in *Forest Group, Inc. v. Bon Tool Co.* construed 35 U.S.C. § 292 to impose up to a $500 fine for each article on which the manufacturer erroneously applied a patent marking. *See* 590 F.3d 1295, 1384 (Fed. Cir. 2009). The interpretation of the patent marking statute "exponentially raised the potential recoveries in false marking actions," causing a "meteoric rise in false patent marking suits." Brian T. Yeh, Cong. Research Serv., *False Patent Marking: Litigation and Legislation* 2 (2010), *available at* URL *supra* p. x.

Within a year of that decision, the cottage industry of false marking litigation had been established: 675 new lawsuits were filed, many by newly established firms filing dozens of cases. *See* Nicholas W. Stephens, *From* Forest Group *to the America Invents Act: False Marking Comes Full Circle*, 97 Iowa L. Rev. 1003, 1019 n.107 (2012); Justin E. Gray, *False Marking—Settlement Update*, Gray on Claims (Aug. 9, 2011), URL *supra* p. viii. One practitioner advised companies to quickly review their product lines to avoid "staggering fines" even for "inadvertent mismarking." Michael R. O'Neill, *False Marking Claims: The New Threat to Business*, Intell. Prop. & Tech. L.J., Aug. 2010, at 22, 28–29, *available at* URL *supra* p. viii. The result of *Forest Group* was widely criticized; one senator called it "a shift in wealth to lawyers that comes at the expense of manufacturing jobs." 157 Cong. Rec. S5321 (daily ed. Sept. 6, 2011) (statement of Sen. Kyl).

The decision being reviewed here is similar to the court's *Forest Group* decision five years ago. In both cases the Federal Circuit interpreted a statute, claiming to be merely applying the plain language of the statute,

that opened the door to high-magnitude judicial awards. In both cases, the right to sue was easy to obtain and the pool of potential defendants was large. So it should be unsurprising if the result of the Federal Circuit's decision here, if left unchanged, would be similar to the result of *Forest Group*: an overnight industry of litigants "scouring store shelves . . . with hopes for a massive payday." Yeh, *supra*, at 2.[12]

2. The Federal Circuit's ruling in *State Street Bank & Trust Co. v. Signature Financial Group, Inc.*, authorizing patents on business methods, *see* 149 F.3d 1368, 1373 (Fed. Cir. 1998), also resulted in a flood of applications for patents on business methods and software. *See* Fed. Trade Comm'n, *To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy* ch. 4, at 39 (2003), *available at* URL *supra* p. vii. Patent owners, armed with patents on these basic concepts, were now in a position to sue broad swaths of businesses, and potentially receive massive infringement payouts. This practice went largely unchecked until this Court substantially corrected the standard for patentable subject matter eligibility in *Bilski v. Kappos*, 561 U.S. 593 (2010), and

[12]The courts were instrumental in repairing the damage left by *Forest Group*. Several months after that decision, a different panel of the Federal Circuit clarified the intent requirement of 35 U.S.C. § 292. *See In re BP Lubricants USA Inc.*, 637 F.3d 1307, 1311 (Fed. Cir. 2011). Congress ultimately modified the patent marking statute, *see* America Invents Act, Pub. L. No. 112-29, § 16(b), 125 Stat. 284, 329 (2011), but *BP Lubricants* is generally credited with significantly decreasing the onslaught of false marking cases. *See* Justin E. Gray, *Decrease in New False Marking Cases Filed Post In re BP Lubricants*, Gray on Claims (Mar. 31, 2011), URL *supra* p. viii. Notably, because design patent infringement is a strict liability offense, this avenue is not available in the present case.

Alice Corp. Pty. Ltd. v. CLS Bank International, 134 S. Ct. 2347 (2014).

3. Similarly, the Federal Circuit established a rigid rule restricting the ability for courts to shift attorney fees in patent cases under 35 U.S.C. § 285. *Brooks Furniture Mfg., Inc. v. Dutailier Int'l, Inc.*, 393 F.3d 1378, 1381 (Fed. Cir. 2005), *overruled by Octane Fitness, LLC v. Icon Health & Fitness, Inc.*, 134 S. Ct. 1749 (2014). This had allowed patent owners to bring borderline frivolous infringement actions without risk.

The combination of easily-obtained business method patents and the lack of consequence for even highly questionable lawsuits in large part facilitated the industry of "patent assertion entities." Their patent infringement actions are often in fact unsuccessful, with one study finding that high-volume patent asserters, those whose patents were litigated eight or more times in a nine-year period, lost almost 90% of the time when their cases were fully litigated. *See* John R. Allison et al., *Patent Quality and Settlement Among Repeat Patent Litigants*, 99 Geo. L.J. 677, 681 (2011).

But patent assertion entities need not rely on success on the merits; they can leverage the cost of litigation as a weapon to extract settlements before reaching the merits. Wrote one commentator: "It is not uncommon for settlement demands to be in the range of $100,000 or $250,000, even though the cost of litigating the case for an accused infringer would be close to one million dollars per year. Sometimes the demands are as low as $5,000 or $10,000." David L. Schwartz, *The Rise of Contingent Fee Representation in Patent Litigation*, 64 Ala. L. Rev. 335, 370 (2012). The misguided *Brooks Furniture* rule thus helped to establish the dubious "industry . . . in which firms

use patents . . . primarily for obtaining licensing fees." *Commil USA, LLC v. Cisco Sys., Inc.*, 135 S. Ct. 1920, 1930 (2015) (quoting *eBay*, 547 U.S. at 396 (Kennedy, J., concurring)).

Experience with utility patent assertion should inform this Court's expectations about design patent assertion: where a rule of law affords an opportunity for abusive litigation, there are those willing and able to avail themselves of that rule in short order. Indeed, the possibility of disproportionately large total-profit damages makes design patent assertion appear even more attractive than utility patent assertion, where a proportionality requirement has long been in place.

And experience shows that time is of the essence. Ordinarily it might take years or decades before this Court or Congress has an opportunity to deal with harm already done by a misguided rule of patent law. But in this case this Court can avoid the bulk of the harm in the first instance by reversing a misguided rule *ab initio*.

IV. Section 289 Should Be Interpreted in a Way that Avoids Serious Constitutional Doubts

Besides being bad policy, the Federal Circuit's interpretation may raise constitutional doubts, specifically because an absolute "total profits" rule can result in excessively high and disproportionate damages awards that could violate the Fifth Amendment.[13] Correcting that interpretation may thus avoid a potential constitutional quagmire.

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[13]The Federal Circuit's interpretation also runs afoul of the Patent Clause, as explained in Petitioners' brief. *See* Br. Pet'rs 38–39.

A. Due Process May Disallow Certain Excessively High Damages Awards

That the Due Process Clauses of the Fifth and Fourteenth Amendments prohibit "excessive" and "wholly disproportionate" damages is a longstanding principle of this Court.[14]

A long arc of cases confirms that due process constrains damages awards to bear some relationship to the harm caused. *Waters-Pierce Oil Co. v. Texas* held that civil penalties could be unconstitutional where "the fines imposed are so grossly excessive as to amount to a deprivation of property without due process of law." 212 U.S. 86, 111 (1909). Similarly, *St. Louis, Iron Mountain & Southern Railway Co. v. Williams* suggested that a statutory penalty could "transcend the limitation" of the Fourteenth Amendment "where the penalty prescribed is so severe and oppressive as to be wholly disproportioned to the offense and obviously unreasonable." 251 U.S. 63, 66–67 (1919) (citing *Waters-Pierce Oil*, 212 U.S. at 111).

Though *Waters-Pierce Oil* and *St. Louis* ultimately found no due process violation on their respective facts, this Court did find such a violation in *Southwestern Telephone & Telegraph Co. v. Danaher*. There, a state had levied a relatively large civil penalty against a telephone company that had disconnected one of its users for insufficient payment. *See* 238 U.S. 482, 485–86 (1915). Particularly given its finding of "no intentional wrongdoing," this Court held that the penalty "was so plainly arbitrary and

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[14] Although patent law, as federal law, is governed by the Due Process Clause of the Fifth Amendment rather than that of the Fourteenth Amendment, the standards appear not to differ. *See, e.g., Reno v. Flores*, 507 U.S. 292, 301 (1993); *Deshaney v. Winnebago County Dep't of Soc. Servs.*, 489 U.S. 189, 196 (1989).

oppressive as to be nothing short of a taking of its property without due process of law." *See id.* at 491. *Danaher* thus stands for the proposition that a "plainly arbitrary and oppressive" recovery rule can violate due process.[15] *See generally* Sheila B. Scheuerman, *Due Process Forgotten: The Problem of Statutory Damages and Class Actions*, 74 Mo. L. Rev. 103 (2009).

More recent cases have held that proportionality between damages and injury is required in the context of punitive damages. In *TXO Production Corp. v. Alliance Resources Corp.*, 509 U.S. 443 (1993), a plurality of this Court relied on *Waters-Pierce Oil*, *St. Louis*, and *Danaher* to determine that "the Due Process Clause of the Fourteenth Amendment imposes substantive limits 'beyond which penalties may not go.'" *TXO*, 509 U.S. at 453–54 (quoting *Seaboard Air Line Ry. v. Seegers*, 207 U.S. 73, 78 (1907)).

That principle was followed in *BMW of North America v. Gore*, which held that the Fourteenth Amendment "prohibits a State from imposing a 'grossly excessive' punishment on a tortfeasor." 517 U.S. 559, 562 (1996) (citations omitted); *see also Cooper Indus., Inc. v. Leatherman Tool Group, Inc.*, 532 U.S. 424, 434 (2001). Thus, "punitive damages may not be 'grossly out of proportion to the severity of the offense.'" 517 U.S. at 576 (quoting *TXO*, 509 U.S. at 453, 462); *see also Cooper Indus.*, 532 U.S. at 435; *United States v. Bajakajian*, 524 U.S. 321, 334 (1998); *State Farm Mut. Auto. Ins. Co. v. Campbell*, 538 U.S. 408, 1152 (2003).

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[15] It is noted that *Danaher* specifically did *not* declare unconstitutional the overall statute disallowing discriminatory disconnection, but rather only found the statutory penalty to be insufficiently grounded. *See id.* at 490.

Indeed, a rule allowing excessive damages can even fail *procedural* due process. *Philip Morris USA v. Williams* considered a punitive damages award that was apparently premised largely on injury to third parties similarly situated to the plaintiff but not parties to the action. *See* 549 U.S. 346, 350–51 (2007). Noting initially that "the Constitution imposes certain limits, in respect both to procedures for awarding punitive damages and to amounts forbidden as 'grossly excessive,'" *Philip Morris* held that the Fourteenth Amendment "forbids a State to use a punitive damages award to punish a defendant for injury that it inflicts upon nonparties." *Id.* at 353. Thus, where a damages award goes beyond compensation for the harm to the party itself, there is a potential problem of procedural due process.

Accordingly, damages that are excessive and disproportionate in relation to a defendant's wrongdoing or to the amount of harm caused to the plaintiff can violate constitutional due process guarantees enshrined in the Fifth and Fourteenth Amendments.

B. A Total Profits Award, Irrespective of Actual Harm, Potentially Violates These Due Process Principles

In adopting a construction of § 289 that awards the plaintiff all of the defendants' profits on a product when that product contains only a small infringing element, the Federal Circuit has opened the door to damages awards that may be unconstitutionally high.

1. Where the infringing element comprises a minor contribution to an overall product and has a null or negligible effect on the product's profits, such awards may be "grossly out of proportion to the severity of [the de-

fendant's] offense," *Gore*, 517 U.S. at 575, and disproportionate to the harm caused by the defendant's wrongdoing, *see id.* at 580–81. Indeed, much like *Philip Morris*'s concern with damage awards going beyond the "harm potentially caused *the plaintiff*," 549 U.S. at 354 (emphasis in original), a sufficiently large gap between patented feature and total product value can cause a total profit award to go far beyond harm to the patentee, beyond even valid deterrent and punitive concerns, into the domain of constitutional excessiveness.

The Federal Circuit's reading of § 289 is *worse* from a due process perspective than the punitive damages situations of *Gore* and its progeny. With punitive damages, a judge or jury has discretion to make a reasonable award. But under § 289, an infringer "shall be liable" for total profits—even if a judge or jury believes a lesser amount is warranted. *See* note 3 *supra* p. 6 (discussing *Nordock, Inc. v. Sys. Inc.*, 803 F.3d 1344, 1354 (Fed. Cir. 2015)).

Additionally, punitive damages require a showing of culpability, in contrast to the Federal Circuit's interpretation of § 289. So a defendant may be liable for a disproportionately large award even without the "degree of reprehensibility" contemplated in *Gore*. *See* 517 U.S. at 575–78. For example, the defendant may have independently invented the patented design, or the defendant may reasonably believe that an element is functional and therefore not covered by a valid design patent.

And to a certain degree, the total profits rule actually acts punitively. Compensatory damages "are intended to redress the concrete loss that the plaintiff has suffered by reason of the defendant's wrongful conduct." *Campbell*, 538 U.S. at 416 (citing *Cooper Indus.*, 532 U.S. at 432 (citing *Restatement (Second) of Torts* § 903, at 453–54

(1977))). Damages consisting of a defendant's "total profits" awarded under § 289 can far exceed the amount necessary for compensation of the injured plaintiff.

If a court were to "make an award of profits which have been shown not to be due to the infringement," it would be "not to do equity *but to inflict an unauthorized penalty*." *Sheldon v. Metro-Goldwyn Pictures Corp.*, 309 U.S. 390, 405 (1940) (emphasis added); *see also Restatement (Third) of Restitution and Unjust Enrichment* § 42, cmt. h (2011) ("[D]isgorgement in excess of net gain would be punitive, as would disgorgement of gains derived from legitimate sources."). By construing § 289 to require an award based on the whole consumer product, the Federal Circuit's rule would award profits "shown not to be due to the infringement" and would thereby "inflict an unauthorized penalty" potentially conflicting with this Court's jurisprudence.

Accordingly, there is good reason to believe that *Gore* and its progeny would be applicable to § 289. Indeed, commentators have observed that this Court "has applied due process excessiveness reviews to a wide variety of sanctions—not just to punitive damages, but also to civil fines, forfeitures, criminal penalties, and other deprivations of liberty or property." Pamela Samuelson & Tara Wheatland, *Statutory Damages in Copyright Law: A Remedy in Need of Reform*, 51 Wm. & Mary L. Rev. 439, 492 (2009). That is because the larger principle, which reconciles *Gore*, *Waters-Pierce Oil*, and *Danaher*, is that a legal or equitable award must show at least some reasonable relationship to the injury being remedied, for that award to pass muster under the Due Process Clause. There is potentially no such reasonable relationship where the actual injury relating to a small

patented design feature is minimal and yet profits on a complete product are enormous.

2. Rejection of the Federal Circuit's interpretation of § 289 also comports with the underlying motivations for the aforementioned cases. Concerns of fairness underlie those holdings that due process disfavors grossly excessive damage awards. *Gore* referred to "[e]lementary notions of fairness" and to "fair notice . . . of the severity of the penalty" in arriving at its rule against grossly excessive punitive damages. 517 U.S. at 574–75.

The potentially excessive nature of the Federal Circuit's interpretation of § 289 may similarly raise fundamentally important concerns of fairness to the defendant. It is unfair because the entire profits of a complex device of many components, built by the hard work of numerous designers, developers, and engineers, are handed to a single design patent holder, ignoring the substantial contributions of the defendant and many other creators. Thus, where the disparity between the value of the design patent (and therefore, the harm to the plaintiff) and the amount of the "total profits" is high, these awards will serve not to compensate the plaintiff for its losses, but rather will represent a windfall to the patent holder and an unexpected total loss to the product manufacturer.

The Federal Circuit's reading of § 289 thus creates a potential and concerning conflict with the constitutional command of due process.

C. Alternative Interpretations of Section 289 Avoid These Constitutional Doubts

"[I]t is well established that if a statute has two possible meanings, one of which violates the Constitution, courts should adopt the meaning that does not do so."

Nat'l Fed'n of Indep. Bus. v. Sebelius ("*NFIB*"), 132 S. Ct. 2566, 2593 (2012). Indeed, "even if a serious doubt of constitutionality [of an act of Congress] is raised, it is a cardinal principle that this Court will first ascertain whether a construction of the statute is fairly possible by which the question may be avoided." *Crowell v. Benson*, 285 U.S. 22, 30 (1932). Where an alternative construction is available, courts "are obligated to construe the statute to avoid such [constitutional] problems." *Immigration & Naturalization Serv. v. St. Cyr*, 533 U.S. 289, 300 (2001) (citing *Ashwander v. Tenn. Valley Auth.*, 297 U.S. 288, 341, 345–48 (1936) (Brandeis, J., concurring)). "[E]very reasonable construction must be resorted to, in order to save a statute from unconstitutionality." *NFIB*, 132 S. Ct. at 65 (quoting *Hooper v. California*, 155 U.S. 648, 657 (1895)).

As discussed previously, *see* Section I *supra* p. 6, the text of § 289 is ambiguous and subject to multiple possible readings, all of which may be characterized as fairly possible. The interpretation proposed by Petitioners is supported by the statutory context, legislative history, and policy aims of the patent system. By contrast, the Federal Circuit's interpretation raises serious questions of constitutionality. In view of those serious questions, this Court should reject the Federal Circuit's construction pursuant to its preference for avoiding constitutionally problematic constructions and to avert future questions regarding the statute's constitutionality.

CONCLUSION

For the foregoing reasons, this Court should reverse the Court of Appeals.

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In The
Supreme Court of the United States

SAMSUNG ELECTRONICS CO., LTD.,
SAMSUNG ELECTRONICS AMERICA, INC.,
SAMSUNG TELECOMMUNICATIONS AMERICA, LLC,

Petitioners,

v.

APPLE INC.,

Respondent.

On Writ Of Certiorari To The United States Court Of Appeals For The Federal Circuit

BRIEF OF ROGER CLEVELAND GOLF COMPANY, INC. AS *AMICUS CURIAE* IN SUPPORT OF RESPONDENT

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TABLE OF CONTENTS

Page

TABLE OF CONTENTS i

TABLE OF AUTHORITIES iii

INTEREST OF *AMICUS CURIAE* 1

SUMMARY OF ARGUMENT 10

ARGUMENT 12

I. THIS COURT'S *GORHAM* TEST FOR DESIGN PATENT INFRINGEMENT IS CONSISTENT WITH, AND SUPPORTS, THE "TOTAL PROFIT" RULE 12

A. The *Gorham* Infringement Test Suggests that but for the Accused Design's Similarity to the Patented Design, the Infringing Sale Probably Would Not Have Occurred, Making an Award of Total Profit a Fair Award and a Reasonable and Effective Deterrent 12

B. Where the Ordinary Observer's Eye Is Naturally Drawn to the Feature Infringed, Inducing the Sale of the Article of Manufacture, Total Profit Is Warranted Even Where the Design Patent Does Not Cover the Entire Article of Manufacture 17

II. LIMITING PROFITS TO ONLY A PRODUCT'S "COMPONENT" COVERED BY A DESIGN PATENT WOULD IGNORE THE UNAMBIGUOUS STATUTORY MEANING 20

TABLE OF CONTENTS – Continued

Page

A. Applying Design Patent Damages to Only "Components" Violates the Clear Meaning of the Statute 21

B. Applying Design Patent Damages to Only "Components" Would Require Unworkable Hypothetical Damages Analyses That Would Be Unduly Complicated, Expensive, and Divorced from Marketplace Realities 23

CONCLUSION 26

TABLE OF AUTHORITIES

Page

CASES

Apple Inc. v. Samsung Elecs. Co., 786 F.3d 983 (Fed. Cir. 2015) 16, 18

Bush & Lane Piano Co. v. Becker Bros., 222 F. 902 (2d Cir. 1915) 19

Dobson v. Dornan, 118 U.S. 10 (1886) 22

Dobson v. Hartford Carpet Co., 114 U.S. 439 (1885) 22

Gorham Mfg. Co. v. White, 81 U.S. (14 Wall.) 511 (1871) ..... *passim*

Halo Elecs., Inc. v. Pulse Elecs., Inc., ___ U.S. ___, 136 S. Ct. 1923 (2016) 19

OddzOn Prods., Inc. v. Just Toys, Inc., 122 F.3d 1396 (Fed. Cir. 1997) 20

STATUTES

15 U.S.C. § 1116(d)(1)(A) 5

15 U.S.C. § 1117(b) 5

18 U.S.C. § 2320 5

35 U.S.C. § 287(a) 8, 9

35 U.S.C. § 289 ..... *passim*

TABLE OF AUTHORITIES – Continued

Page

OTHER MATERIALS

Brief *Amicus Curiae* of the Computer & Communications Industry Ass'n in Support of Petitioner, *Samsung Elecs. Co. v. Apple Inc.*, No. 15-777 (filed June 8, 2016) 17

Brief for Respondent, *Samsung Elecs. Co. v. Apple Inc.*, No. 15-777 (filed July 29, 2016) ..... *passim*

Brief of Nike, Inc. as *Amicus Curiae* in Support of Neither Party, *Samsung Elecs. Co. v. Apple Inc.*, No. 15-777 (filed June 8, 2016) 5

The Rules of Golf as Approved by R&A Rules Ltd. & The United States Golf Ass'n (effective Jan. 1, 2016) 8

Simon Sinek, *Start With Why: How Great Leaders Inspire Everyone to Take Action* (Penguin Group (USA) LLC) (2009) 7

INTEREST OF *AMICUS CURIAE*[1]

Roger Cleveland Golf Company, Inc. ("Cleveland Golf") is a small company of about 300 U.S.-based employees. Despite this, Cleveland Golf is one of the world's leading designers, manufacturers, and sellers of golf clubs, golf balls, and related golf accessories. Cleveland Golf's well-known brands include the Cleveland®, Srixon®, and XXIO® brands, among many others. Cleveland Golf's most popular and well-known golf club is one known as a "wedge," which golfers use from generally within 125 yards of the hole. Cleveland Golf's wedge off course channel units market share was 24.5% for the month of June 2016 according to Golf Datatech, LLC, ranking Cleveland Golf second among a crowded field stacked with much larger competitors.[2] Dozens of golf professionals, including many competing on the PGA Tour and in the upcoming Olympics, literally trust their livelihoods and performances to Cleveland Golf products, such as Cleveland® wedges and Srixon® golf balls.[3] Since its inception in 1979,

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[1] Pursuant to Supreme Court Rule 37.6, counsel for *amicus curiae* states that no counsel for a party authored this brief in whole or in part, and no party or counsel for a party, or any other person other than *amicus curiae* or its counsel, made a monetary contribution intended to fund the preparation or submission of this brief. All parties have consented in writing to the filing of this brief.

[2] Golf Datatech, Report on Off Course Wedges Sales (June 2016).

[3] Cleveland Golf's professional staff includes golf major winners Graeme McDowell, Keegan Bradley, and Inbee Park, as well as Hideki Matsuyama, J.B. Holmes, and many other PGA Tour

Cleveland Golf has sold more than 10 million wedges globally; its products have garnered more than 350 professional Tour victories since 1988. Most of Cleveland Golf's products, including its wedges, are covered by numerous issued and pending United States design patents.[4] Cleveland Golf employs a handful of talented

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winners. At least the following professionals, who use golf products of Cleveland Golf or its parent company, will compete in golf in the 2016 Olympics in Rio:

Men
Soren Kjeldsen
Anirban Lahiri
Jaco Van Zyl
Shingo Katayama
Ricardo Gouveia
Wu Ashun
Ryan Fox
Lee Soo Min
Scott Vincent
Prayed Marksaeng
Russell Knox
Rikard Karlberg
Thanyakorn Khronghpha
KJ Choi

Women
Inbee Park
In Gee Chun
Minjee Lee
Shiho Oyama
Rebecca Artis
Bo Mee Lee
Hyo Joo Kim

[4] These patents are assigned to and owned by Cleveland Golf's parent company, Dunlop Sports Co., Ltd. As of the date of this writing, Dunlop Sports Co., Ltd. owns 126 issued U.S. design

graphic artists and industrial designers at its Huntington Beach, California headquarters to conceive, develop, and select creative, appealing, eye-catching designs that are applied to its products and protected by design patents. Cleveland Golf therefore has a substantial interest in the question presented.

In the golf industry, particularly in the highly competitive market for golf clubs, product design is one of the most important factors consumers consider in making their purchasing decisions. This is because in golf, perhaps more than any other sport, the participant while playing spends a great deal of time visualizing and concentrating on the equipment and its interaction with the field of play—looking at the club head, looking at the ball, and aligning both with the target. One need only watch the careful, studied routine of a PGA Tour professional as he or she aligns and concentrates on a putter (or any other golf club) while practicing, then executing, the shot. And one of the most important attributes of the sport is player confidence, which in turn is inspired by equipment that appeals to the player's eye and looks as if it will meet the player's needs, shot after shot.

Depicted below is but one example of a popular patented golf club head design, applied to products sold by Cleveland Golf.

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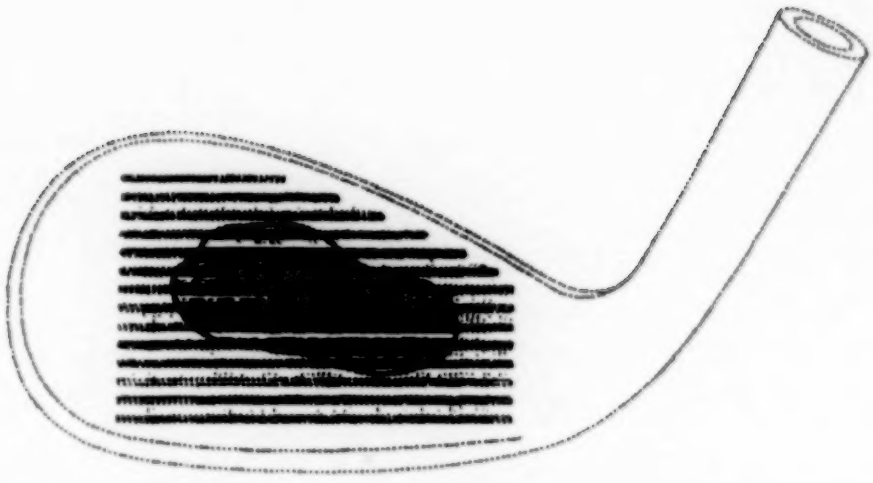
patents covering golf clubs. As a wholly-owned subsidiary of Dunlop Sports, Cleveland Golf holds a license to all of these design patents.



U.S. Patent No. D633,967 (filed April 1, 2010).

In this example, the design patent claim recites "the ornamental design for a golf club head, as shown and described," even though much of the image of the golf club head is shown in phantom lines. This is significant, for the patent claim is not to just the solid line elements in the drawings, but to those solid line elements as applied to the head of a golf club. In this example, awarding an infringer's profits based only on the solid lines would be meaningless; such lines represent ornamentation, in this case, material that has been removed from the face of the golf club head, in essence, the absence of matter or empty space defined by the article itself. Any attempt to apportion the profit attributable to such removed material or empty space relative to the rest of the golf club head or golf club would likewise be meaningless. Absence of matter, or any other visual design element, such as those created by pixels on a screen, is not readily subject to material valuation, as is a functional component, such as a

battery, a processor, or a memory device. This, in turn, renders attempts to apportion how much of an article of manufacture's total profit should be attributable to such design elements both difficult, if not impossible, on the one hand, and an apples-to-oranges comparison on the other.

In this example, for the statutory prescription of the infringer's total profit to have any real-world meaning, such profit must be based on the entire article of manufacture, in this example a golf club, to which the patented design has been applied.

One problem plaguing the golf equipment industry, including Cleveland Golf's business, is counterfeiting. There are remedies for true counterfeits, for example, 15 U.S.C. §§ 1116(d)(1)(A), 1117(b); and 18 U.S.C. § 2320, where the counterfeiter copies not only the patented design, but also, for example, the Cleveland® brand in a blatant attempt to pass off inferior knock-offs as the genuine article. But such remedies do not extend to "soft counterfeits," where the product incorporating a patented design is copied or closely approximated, without using the Cleveland® brand. Both design patents and robust remedies for design patent infringement are critical to Cleveland Golf to deter such "soft counterfeits."

Related to the issue of "soft counterfeits" is the inequity of "fast followers" detailed in other *amici's* briefs. *See, e.g.*, Brief of Nike, Inc. as *Amicus Curiae* in Support of Neither Party at 9, *Samsung Elecs. Co. v. Apple Inc.*, No. 15-777 (filed June 8, 2016). This

inequity is, perhaps, even more acute in the golf industry than in many others, and is of even greater concern to small companies such as Cleveland Golf. In the highly competitive golf industry, manufacturers typically launch new products on a two-year cycle. But utility patents often issue far longer than two years after filing. Thus, often a new golf product is off the market before a utility patent covering it has issued.

Design patents, however, often issue much more quickly than utility patents, and hence tend to give golf equipment manufacturers more immediate protection.[5] But much of the value of this immediacy is lost if fast followers can copy the design with limited consequence.

Moreover, smaller competitors such as Cleveland Golf are particularly vulnerable to fast followers or their somewhat slower cousins, "watchful waiters," both of whom tend to be much larger, and in some cases control significant or even dominant shares of particular markets. Petitioners might be fairly termed "watchful waiters" based on the record below, having seen Apple's iPhone launch in 2007, then watching the new product's success (and their own share drop from 10% to 5% or less) before releasing the infringing smartphones in 2010. Brief for Respondent at 9-10, *Samsung Elecs. Co. v. Apple Inc.*, No. 15-777 (filed July 29, 2016). Such large fast followers and watchful waiters often

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[5] The example above aptly illustrates this more immediate protection for design patents. Cleveland Golf's U.S. Patent No. D633,967 was filed April 1, 2010, and issued 11 months later, on March 8, 2011.

have much more market power than their smaller competitors to leverage their size, distribution muscle, and preexisting market penetration. They can quickly copy the designs of smaller competitors, flood the market with infringing goods, and in so doing unfairly take business from smaller (or new entrant) innovators who proved the market potential for the design in the first instance. Indeed, within one month of Petitioners' launching their infringing smartphone, Petitioners' share quickly recovered beyond its pre-Apple launch share of 5-10%, and then jumped over the next two years to 20%. Brief for Respondent at 10.

Society's advancements depend on the genius and courage of innovators who have the vision and temerity to challenge the *status quo*. It has been said that Apple's "why," the reason it exists as a company, is exactly that—to challenge the *status quo*, as it did by disrupting the smartphone market as a new entrant with the launch of its iPhone.[6] And smaller competitors such as Cleveland Golf must rely on their pluck and innovator mentality if they hope to remain viable in a market crowded with larger, well-funded competitors. But if innovators, and particularly new market entrant innovators such as Apple, and smaller company innovators such as Cleveland Golf, can no longer rely on the availability and deterrent effect of total profit recovery for design patent infringement, then "fast followership," "watchful waiting," and copying will be encouraged

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[6] *See* Simon Sinek, *Start With Why: How Great Leaders Inspire Everyone to Take Action* 154-55 (Penguin Group (USA) LLC) (2009).

and enabled, while innovation, early adoption, and the societal advancements spawned thereby will be discouraged and diminished.

Another aspect of the golf industry that gives design patents special importance is that golf products' functional features are constrained by the rules of the United States Golf Association ("USGA"), which prescribe limits, such as how far a golf ball may travel, how deep and wide golf club face grooves can be, how much "spring effect" a golf club face can have, etc. *See generally* The Rules of Golf as Approved by R&A Rules Ltd. & The United States Golf Ass'n (effective Jan. 1, 2016). Thus, while utility patents are also important to the golf industry, and many are issued, USGA rules severely constrain technical innovations of both golf clubs and golf balls. Given such constraints, the typically long delay for issuance of utility patents relative to design patents, and the importance to the golfer of the aesthetics of golf equipment, design patents are particularly important to the business of golf equipment manufacturers. And it follows that the deterrent effect of recovering a design patent infringer's total profit is likewise critical to that business.

Cleveland Golf also invests heavily in reviewing its product designs as applied to its products and insuring that its design patents are properly marked on its products in accordance with 35 U.S.C. § 287(a), thereby giving the public fair notice of what products

are covered by those design patents.[7] The purpose of providing this notice is not merely to give the public fair notice of products covered by patents, however; marking also serves to avoid the negative consequences of failure to mark—the forfeiture of patent damages except upon proof that the infringer was given actual notice of the infringement and continued to infringe thereafter. Thus, in addition to providing fair notice, patent marking also gives fair warning that design patent damages begin to accrue once an infringer begins selling a product covered by the design patent so marked. And such fair notice and fair warning—that an infringer's total profit is recoverable—serves both as an objectively fair deterrent to copyists, and as a fair reminder to fast followers and watchful waiters, who might otherwise choose to copy, of the wisdom of conducting pre-launch patent-clearing diligence.

Notwithstanding such objective fairness, Petitioners and *amici* in support of Petitioners apparently consider the "total profit" rule applied by the Federal Circuit below extreme and unfair. But the points they overlook include: (1) design patents in general are easily designed around by those who do not intend to copy the patented design or to deceive the ordinary observer; (2) a finding of infringement is often, under this Court's *Gorham* test, tantamount to a finding that ordinary observers were deceived into believing the

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[7] Cleveland Golf employs "virtual marking" of its patents in accordance with 35 U.S.C. § 287(a), a list of which can be found at http://www.dsp-patents.com.

infringing design was the patented design, and that any infringing sales would not have occurred but for the deception; and (3) absent notice of the patent to the infringer, whether actual or constructive, the patent owner can recover no damages prior to such notice. These points lead to the conclusion that design patent infringement for which damages are recoverable is an exceptional circumstance, often involving copying and/or consumer deception, warranting the exceptional statutory remedy of the infringer's total profit on the article of manufacture to which it has applied the design.

SUMMARY OF ARGUMENT

The statute's clear prescription that the infringer is liable to the extent of its total profit finds ample justification in the act of infringement itself. Under this Court's long-standing *Gorham* test for design patent infringement, an ordinary observer would find the patented and infringing designs substantially the same, so as to deceive him and induce him to purchase one supposing it to be the other. In other words, but for the infringement, the infringing sale likely would not have occurred. Consequently, requiring the infringer to disgorge its total profit from the infringing article of manufacture is commensurate with the infringer's act. Moreover, awarding the design patent owner the infringer's total profit is the most effective way to adequately compensate for and deter the infringement, because the other options for damages are far more

difficult and expensive to prove, especially for a small company whose patented design was copied by a large competitor.

Petitioners' argument that the damages should not extend to the entire article of manufacture to which the patented design is applied cannot withstand scrutiny. To attempt to apportion the value of disclaimed and claimed portions of the design would be unworkable and contrary to the statute. Apportionment would also effectively render design patents unenforceable, particularly for smaller companies, and for industries where utility patent issuance and design patent injunctive relief are unlikely before the patented design and infringer's product are off the market.

In this case, the evidence establishes that Petitioners deliberately copied and continued to infringe the patented designs despite warnings to cease. Awarding Petitioners' total profit as the statute requires is appropriate, because Petitioners could have easily avoided infringement by selecting different designs without altering the functional components of their products. Because competitors can easily avoid the protection that design patents provide to their owners, instances of infringement will be exceptional as long as the total profit remedy that the statute affords remains available.

ARGUMENT

I. THIS COURT'S *GORHAM* TEST FOR DESIGN PATENT INFRINGEMENT IS CONSISTENT WITH, AND SUPPORTS, THE "TOTAL PROFIT" RULE

There can be no design patent damages unless there is first design patent infringement. And this Court's *Gorham* design patent infringement test suggests that a finding of infringement implicitly is a finding that but for the infringement, sale of the infringing article of manufacture likely would not have occurred, thereby justifying an award of total profit on that sale.

A. The *Gorham* Infringement Test Suggests that but for the Accused Design's Similarity to the Patented Design, the Infringing Sale Probably Would Not Have Occurred, Making an Award of Total Profit a Fair Award and a Reasonable and Effective Deterrent

Section 289 of the patent statute provides:

> Whoever during the term of a patent for a design, without license of the owner, (1) applies the patented design, or any colorable imitation thereof, to any article of manufacture for the purpose of sale, or (2) sells or exposes for sale any article of manufacture to which such design or colorable imitation has been applied shall be liable to the owner to the extent of his total profit, but not less than $250, recoverable

> in any United States district court having jurisdiction of the parties.
>
> Nothing in this section shall prevent, lessen, or impeach any other remedy which an owner of an infringed patent has under the provisions of this title, but he shall not twice recover the profit made from the infringement.

35 U.S.C. § 289.

Before delving into statutory construction of this damages provision, a brief discussion of the law of design patent infringement is critical, as a court cannot award design patent damages absent a finding of design patent infringement. And the starting point for any design patent infringement issue is this Court's decision in *Gorham Mfg. Co. v. White*, 81 U.S. (14 Wall.) 511 (1871). There, the Court adopted the following test:

> We hold, therefore, that if, in the eye of an ordinary observer, giving such attention as a purchaser usually gives, two designs are substantially the same, if the resemblance is such as to deceive such an observer, *inducing him to purchase one supposing it to be the other*, the first one patented is infringed by the other.

Gorham, 81 U.S. at 528 (emphasis added).

Unlike a utility patent claim, in which only the *words* of a claim, as properly interpreted, define the invention and its limits to one of ordinary skill in the art, a design patent claim is defined *visually*, with respect

to the design's *drawings*, and covers the way the design would be perceived, as applied to the accused product, in the *eye* of an ordinary observer.

Inherent in this distinction are the concepts of the ordinary observer's finding the patented design and accused design to be substantially the same or being deceived into thinking the accused product's design is the patented design. No such concepts are required for utility patent infringement; utility patents can be infringed by products that look nothing like the utility patent owner's product or the utility patent's drawings. And deception of an ordinary observer is not an element of utility patent infringement. Also inherent, therefore, in this distinction between design and utility patents is the notion that it is the appearance of the design as applied to the product, rather than the remaining properties of the product, that attracts a purchaser's attention and is worthy of reward. As this Court said in *Gorham*,

> It is the appearance itself which attracts attention and calls out favor or dislike. It is the appearance itself, therefore, no matter by what agency caused, that constitutes mainly, if not entirely, the contribution to the public which the law deems worthy of recompense. The appearance may be the result of peculiarity of configuration, or of ornament alone, or of both conjointly, but, in whatever way produced, it is the new thing, or product, which the patent law regards. To speak of the invention as a combination or process, or to treat it as such, is to overlook its peculiarities. As the

> acts of Congress embrace only designs applied, or to be applied, they must refer to finished products of invention rather than to the process of finishing them, or to the agencies by which they are developed. A patent for a product is a distinct thing from a patent for the elements entering into it, or for the ingredients of which it is composed, or for the combination that causes it.

Gorham, 81 U.S. at 525-26.

The *Gorham* Court thus rejected the position of the court it was reviewing, that infringement of a design patent should be determined not from the viewpoint of an ordinary observer, but that of an expert, under the same principles governing utility patent infringement, and only after comparing the features of each design to determine "substantial identity."[8] In rejecting that view, the Court issued the seminal test for design patent infringement, applied by lower courts, and relied upon by litigants to the present day, over 140 years later.

Running through the *Gorham* infringement test, and relevant to the design patent damages inquiry here, is the notion that design patent infringement occurs when an ordinary observer, not an expert, after giving the sort of attention a purchaser usually gives, finds the accused and patented designs substantially the same or is deceived and thereby induced into purchasing the infringing design believing it the patented

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[8] *Gorham*, 81 U.S. at 522-23.

one. Implicit in this is the notion that the purchase by the ordinary observer likely would not have occurred but for the infringement, or at least that the infringer so believed; otherwise, the infringer would have created its own clearly distinctive design to distinguish its products from the design patent owner's and thereby drive sales. And implicit in this but-for causality is the notion that the damages awarded based on infringing sales to actual purchasers that likely would not have occurred but for the infringement should be commensurate with the wrong perpetrated.

Under the statute, 35 U.S.C. § 289, those damages are the infringer's "total profit" on the infringing article of manufacture, not a portion of its profit based on the value of a design relative to other aspects of the product. That makes sense, given this Court's infringement test, which requires a finding (which the Federal Circuit found may be based on expert testimony and need not be shown by the actual perception or deception of ordinary observers)[9] that an ordinary observer would perceive the parties' designs as substantially the same or probably would purchase the infringing design believing it to be the patented design. Thus, as

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[9] The Federal Circuit let stand a jury instruction that set forth the *Gorham* test for infringement, but added the caveat that "[y]ou do not need, however, to find that any purchasers actually were deceived or confused by the appearance of the accused Samsung products . . ." *Apple Inc. v. Samsung Elecs. Co.*, 786 F.3d 983, 1000 (Fed. Cir. 2015). The court reasoned that *Gorham* likewise does not require a finding of actual deception, because it credited expert opinions that ordinary purchasers would have been likely to mistake the accused designs for the patented design. *Id.*

explained above, the ordinary observer's purchase of the infringing design likely would not have occurred but for the infringement. And, of course, awarding the infringer's total profit on the infringing article of manufacture is the surest way of deterring such infringement.

B. Where the Ordinary Observer's Eye Is Naturally Drawn to the Feature Infringed, Inducing the Sale of the Article of Manufacture, Total Profit Is Warranted Even Where the Design Patent Does Not Cover the Entire Article of Manufacture

In this case, Petitioners and their *amici* argue that the appearance of phantom lines serves as a disclaimer of design patent rights extending to the entire product, and hence limits damages.[10] The jury nonetheless found infringement of the patented designs, and therefore found that the *Gorham* infringement test—an ordinary observer would have perceived the patented and accused designs as substantially similar or would have been induced to purchase the one thinking it the other—had been met.[11] This finding is particularly

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[10] *See, e.g.*, Brief *Amicus Curiae* of the Computer & Communications Industry Ass'n in Support of Petitioner at 5-6, *Samsung Elecs. Co. v. Apple Inc.*, No. 15-777 (filed June 8, 2016).

[11] The jury received the following instruction: "Two designs are substantially the same if, in the eye of an ordinary observer, giving such attention as a purchaser usually gives, the resemblance between the two designs is such as to deceive such an observer,

understandable in the case of Apple's design patent pertaining to display screens/graphical user interfaces, as these are aspects of the product to which an ordinary observer's eye would most naturally be drawn, and to which the most attention would most naturally be given. Figures from two of the patents are reproduced below.

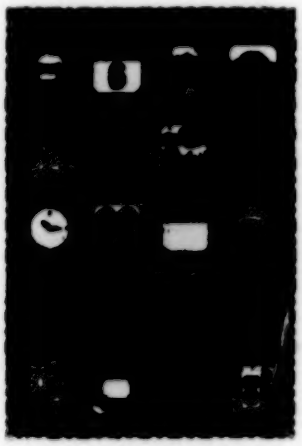

Figure 1
U.S. Pat. No. D604,305

Figure 3
U.S. Pat. No. D618,677

The argument that a design patent covering a car's cup holder might lead to profit damages for the entire car is meaningless under this suggested but-for infringement-deception-damages rubric. No one can seriously contend that a design patent covering only a cup holder would induce a consumer to purchase one manufacturer's car thinking its design to be that of the patent owner's car. At best, a consumer might be

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inducing him to purchase one supposing it to be the other." *Apple*, 786 F.3d at 999-1000.

induced to purchase the infringer's cup holder thinking its design to be the patent owner's cup holder. Stated otherwise, in this example, the cup holder design and the article to which that design is applied are the same. The cup holder design is not "applied" to the car; it is a design separate from that of, and covers an article separable from, the car. The cup holder and the car are distinct articles of manufacture. *Cf. Bush & Lane Piano Co. v. Becker Bros.*, 222 F. 902, 903 (2d Cir. 1915).

The argument that the holding below elevates the importance of design patents relative to utility patents is unfounded for several reasons.

First, infringement of a design patent requires substantial similarity of appearance, which utility patent infringement does not require. Often such substantial similarity of a design does not occur without copying (which the evidence shows Petitioners clearly did; Brief for Respondent at 9-10, 12). Such copying, or willful, wanton, or malicious infringement, often warranting enhanced damages in a utility patent case, and justified as punitive,[12] also merits total profit damages awards, and the resulting deterrent effect, in a design patent case.[13]

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[12] *Cf. Halo Elecs., Inc. v. Pulse Elecs., Inc.*, ___ U.S. ___, 136 S. Ct. 1923, 1928 (2016).

[13] *Amicus* does not, however, suggest that evidence of copying is or should be required for design patent total profit damages, as the statute does not require copying.

Second, design patents are limited to non-functional designs;[14] utility patents are by definition functional inventions. Design patents are relatively easy to design around for those wishing to avoid copying and prevent deception; the ability to design around utility patents varies according to the breadth of the claims, but can be technically challenging. And because utility patents claim functional innovations, designing around them often results in loss of functionality and/or other performance tradeoffs. By definition, because design patents relate to ornamental designs, they are easily designed around with no such tradeoffs. An election to nevertheless copy a patented design justifies an award of the infringer's total profit.

II. LIMITING PROFITS TO ONLY A PRODUCT'S "COMPONENT" COVERED BY A DESIGN PATENT WOULD IGNORE THE UNAMBIGUOUS STATUTORY MEANING

The language of 35 U.S.C. § 289 and its legislative history and intent are clear, as set forth in Respondent's Brief at 32-35. And the factual record of Petitioners' copying and continued and willful infringement, notwithstanding warnings to cease, is also clear. Brief for Respondent at 25, 60. What Petitioners and their supporting *amici* therefore argue is essentially that this otherwise clear statute and clear record are unfair as applied to the infringer's huge profit awarded in this

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[14] *See, e.g., OddzOn Prods., Inc. v. Just Toys, Inc.*, 122 F.3d 1396, 1405 (Fed. Cir. 1997).

case, and therefore both the statute and the record need to be re-interpreted to drastically reduce Petitioners' liability. That, for the following reasons, the Court should not do.

A. Applying Design Patent Damages to Only "Components" Violates the Clear Meaning of the Statute

Section 289 of the patent statute provides in relevant part (emphasis added):

> Whoever during the term of a patent for a design . . . (1) applies the patented design, or any colorable imitation thereof, to any *article of manufacture* for the purpose of sale, or (2) sells or exposes for sale any *article of manufacture* to which such design or colorable imitation has been applied shall be liable to the owner to the extent of his *total profit*.

35 U.S.C. § 289.

As instructive, perhaps, as what the statute says, is what it does *not* say. The statute does not say, "whoever sells a patented design"; it says "*article of manufacture*." The statute does not say, "shall be liable to the owner only for that portion of his profit attributable to the component(s) of the article of manufacture comprising the patented design"; it says "*shall be liable to the owner to the extent of his total profit*." And the statute does not say "excluding from the damages calculation any portion of the article of manufacture illustrated in phantom lines in the patent drawings or

comprising encased, unseen features." It clearly excludes nothing from the extent of the infringer's total profit. And yet, to hold as Petitioners and their supporting *amici* wish would require, in effect, reading all of those clearly unintended statutory constructs into the law.

Congress has seen fit to retain the relevant "total profit" statutory language and hence has retained intact its intent since 1887, for nearly 130 years, and has retained the "total profit" provision of the current 1952 law, 35 U.S.C. § 289, for over 60 years, without change. That the statute mentions "total profit" of the infringer, without specifying that such profit relates to anything other than the article of manufacture being sold, therefore should end the inquiry.

But there is more; before 1887, apportionment of damages was required. Congress quickly responded to eliminate that requirement and address the "emergency" caused by this Courts' 1885 and 1886 *Dobson* decisions,[15] which awarded just six cents because the patentee had failed to prove that the entire profit was attributable to the patented design. Brief for Respondent at 17, 33-35. Thus, the law was once as Petitioners now desire it; Congress quickly overruled the *Dobson* decisions by changing the law to its current "total profit" form; and Congress has not, for over 130 years, changed it again.

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[15] *Dobson v. Hartford Carpet Co.*, 114 U.S. 439, 444 (1885); *Dobson v. Dornan*, 118 U.S. 10, 17-18 (1886).

If litigants or the public deem the result of the decision below unfair, their appropriate recourse is to ask Congress to change the law as clearly written. Rewriting that law by inserting tortured phrases such as those quoted above is not the province of this Court.

B. Applying Design Patent Damages to Only "Components" Would Require Unworkable Hypothetical Damages Analyses That Would Be Unduly Complicated, Expensive, and Divorced from Marketplace Realities

Section 289's "total profit" rule is clear and unambiguous. A party seeking to prove, and a jury seeking to award, design patent damages need only calculate total profit from the total number of units found to infringe multiplied by the profit per unit. Even that seemingly straightforward inquiry—often made and presented via a costly patent damages expert—can be complicated by the different ways to calculate and present profits.

Such calculation and presentation of profits becomes far more expensive, far more complicated, and far more speculative, however, if now such experts are required to rely not upon actual profit of the infringing product sold in the marketplace, but upon some hypothetical and complex profit measure based on only certain "components" of the patented article of manufacture that are neither separate from, nor sold separately from, the article of manufacture in the

marketplace. No design patent owner/product seller maintains records for accounting purposes that would be useful in conducting such analyses. And thus the damages expert's opinion, which heretofore could be based on actual market data and accounting records, would now be based on fiction and conjecture.

This problem is put into context by the Cleveland® wedge example illustrated above. How would Cleveland Golf prove that portion of an infringer's wedge profit attributable to the unique groove and score line pattern forged and laser etched into the club's face? Based on the amount of metal removed in the process? Based on the percentage of the total surface area of the head or the face covered by the pattern? Based on the cost of applying the pattern to the face? Based on the percentage of golf club consumers that state, in a consumer survey, that the design and only the design induced them to purchase the product? Neither the design patent damages statute nor design patent damages case precedent addresses these real-world questions, and Congress drafted Section 289 and its predecessor precisely to remove the need for asking them.

If even reasonably possible, such analysis would require conducting expensive market or other surveys, to determine—subject to *Daubert* challenges and other charges of inadequacy—what value ordinary observers place on the patented design relative to other features of the product. Petitioners' damages expert used such consumer surveys in an unsuccessful effort to show,

astonishingly, that Respondent's design-related damages were zero, or at most 1% of Petitioners' profit. Brief for Respondent at 20. While requiring such consumer surveys would be good business for patent damages and survey experts, it would be extremely costly to litigants on both sides of the issue, and particularly damaging to smaller competitors who cannot afford to pay for such high-priced experts.

Designs are often difficult to conceive, and, as witnesses in *Gorham* testified,[16] may fail in the marketplace more often than they succeed. And suppose, for example, that the designs of the golf club as illustrated herein required a costly laser-etching process while the infringer instead employed an inexpensive painting process to achieve a virtually identical look, but at a fraction of the cost. Awarding the infringer's profit based on, and limited to, the cost of applying its cheap imitation would not only add insult to injury—it would encourage cheap imitations and inferior knock-offs.

In practice, for smaller companies that cannot afford the cost of high-priced patent damages experts, a rule requiring that an infringer's profit be limited to only a "component" of an article of manufacture would render design patents virtually worthless. While the possibility of injunctive relief offers some deterrent effect, given the two-year cycle of new golf products, and the periods of time for patents to issue and for patent suits to go to trial, meaningful injunctive relief is

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[16] *Gorham*, 81 U.S. at 512 n.3.

nonexistent in Cleveland Golf's industry. And a patentee's lost profits and even a reasonable royalty are notoriously difficult and expensive to prove. As such, without the total profit rule applied to articles of manufacture in Cleveland Golf's industry, design patents would provide a right with no readily provable total profit remedy. That, in turn, would make rare the case in which the litigation cost would justify enforcing the design patent—providing a right with no remedy at all.

CONCLUSION

The judgment should be affirmed.

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Supreme Court of the United States

SAMSUNG ELECTRONICS CO., *et al.*,
Petitioners,

v.

APPLE INC.,
Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

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QUESTION PRESENTED

1. Can Congress constitutionally award "total profits" damages for infringement of design patents, where 35 U.S.C. §171 contains none of the constitutionally required safeguards for First Amendment protected speech this Court has held are required for constitutional exercise of the Article I, §8 power?

TABLE OF CONTENTS

I. Award of Design Patents Under 35 U.S.C. §171 Violates the First Amendment 4

A. This Court Held in *Feist* and *Eldred* That the Idea/Expression Distinction and Fair Use Doctrine Are Constitutionally Required To Make Copyright Consistent with the First Amendment 4

B. "Ornamental Design" is Speech Protected Under the First Amendment, Whose Requirements Do Not Vary Whether the Speech is Patented or Copyrighted 7

C. State-Granted Monopolies Over Speech Protected by the First Amendment Must Be Limited 8

II. To Avoid Constitutional Infirmity, This Court Must Reject the Reading Below of 35 U.S.C. §289 10

A. Allowing the Confiscation of All Profits for the Infringement of an Unconstitutional State-Granted Monopoly Over Protected Speech Violates the First Amendment 10

TABLE OF AUTHORITIES

Cases

Alice Corp. Pty. Ltd. v. CLS Bank Int'l, 134 S. Ct. 2347 (2014) 2, 6

Bilski v. Kappos, 561 U.S. 593 (2010) 6

Cohen v. California, 403 U.S. 15 (1971) 8

Diamond v. Diehr, 450 U.S. 175 (1981) 6

Eldred v. Ashcroft, 537 U.S. 186 (2003) 2, 4-6

Feist Publications, Inc. v. Rural Telephone Service Co., Inc., 499 U.S. 340 (1991) 2, 4

Gertz v. Robert Welch, Inc., 418 U.S. 323 (1974) 3, 11

Hustler Magazine v. Falwell, 485 U.S. 46 (1988) 7

International News Service v. Associated Press, 248 U.S. 215 (1918) 8

Parker v. Flook, 437 U.S. 584 (1978) 6

Posadas de Puerto Rico Assocs. v. Tourism Co. of P.R., 478 U.S. 328 (1986) 7

San Francisco Arts & Athletics v. United States Olympic Committee, 483 U.S. 522 (1987) 8, 9

Smith v. Whitman Saddle Co., 148 U.S. 674 (1893) 9

United States v. O'Brien, 391 U.S. 367 (1968) 9

Constitutions, Statutes, and Regulations

U.S. Const. Art. I, §8 cl. 8 . . . . . 4, 12

17 U.S.C. §504(b) 11

35 U.S.C. §171 . . . . . 2, 9, 10, 12

35 U.S.C. §284 . . . . . 10, 11

35 U.S.C. §289 . . . . . 2, 3, 8, 10-12

Sup. Ct. R. 37.6 1

Other Materials

Ralph D. Clifford & Richard J. Peltz-Steele, *The Constitutionality of Design Patents*, 14:2 CHI.-KENT J. INTELL. PROP. 553 (2015) 2

U.S. Design Patent No. 618,677 7

INTEREST OF *Amicus Curiae*

The Software Freedom Law Center is a not-for-profit legal services organization that provides legal representation and other law-related services to protect and advance free software.[1] SFLC provides pro bono legal services to non-profit free software developers and also helps the general public better understand the legal aspects of free software. SFLC has an interest in this matter because the decision of this Court will have a significant effect on the rights of the free software developers and users SFLC represents. More specifically, SFLC has an interest in ensuring that limits are maintained on the reach of patent law so that Free and Open Source software development is not unreasonably and unnecessarily impeded.

[1]Pursuant to Sup. Ct. R. 37.6, amicus notes that no counsel for a party authored this brief in whole or in part, and no counsel or party made a monetary contribution intended to fund the preparation or submission of this brief. No person other than amicus curiae and its counsel made a monetary contribution to its preparation or submission. Petitioners have consented to the filing of this brief through a blanket consent letter filed with the Clerk's Office. Respondent has consented to the filing of this brief through a consent letter filed with the Clerk's Office.

SUMMARY OF ARGUMENT

This Court has not considered a patent on ornamental design for more than a century. But in cases over the last twenty-five years, from *Feist Publications, Inc.* v. *Rural Telephone Service Co., Inc.*, 499 U.S. 340 (1991) to *Eldred* v. *Ashcroft*, 537 U.S. 186, 219 (2003) to *Alice Corp. Pty. Ltd* v. *CLS Bank Int'l* 134 S. Ct. 2347 (2014), this Court has repeatedly reinforced the role of the First Amendment in limiting the effect of patent and copyright rules on freedom of protected speech and the communication of ideas. Patent monopolies on "ornamental design" have not been subjected to the same constiutional scrutiny that this Court has given to doctrines concerning copyright and utility patents. The rule of patentability established by 35 U.S.C. §171, which makes patentable any "new" or "original" "ornamental design," overlaps with copyright protection for the same expressions, but without the constitutionally-required distinction between idea and expression, or the availability of fair use defenses, that this Court has said, *see Eldred*, *supra*, 537 U.S., at 219, the First Amendment requires. *See* Ralph D. Clifford & Richard J. Peltz-Steele, *The Constitutionality of Design Patents*, 14:2 CHI.-KENT J. INTELL. PROP. 553 (2015)

As the Court below read 35 U.S.C. §289, this constitutionally dubious state-granted monopoly is enforced by a damages rule allowing the patent holder to recover the total profit earned by the sale of any "article of manufacture," no matter how complex or valuable to its purchasers for other reasons, if it contains a "colorable imitation" of a patented design. Such a punitive measure of damages renders the design patent a particularly powerful weapon for the prohibition of

innovation, whether in the hands of incumbent manufacturers or "patent trolls." This is also, with respect to protected speech, the very definition of the chilling effect the First Amendment requires that we avoid. This Court has recognized that even speech at the very margins of First Amendment protection, such as defamatory falsehood, cannot be subject to punitive damages without a showing of "constitutional malice," that is, intentional publication of falsehood or reckless disregard of truth. *See Gertz* v. *Robert Welch, Inc.*, 418 U.S. 323, 349 (1974). Liability for patent infringement requires not even a showing of intent, let alone a level of intent sufficient to meet First Amendment requirements. The reading given to §289 by the Court of Appeals below therefore raises serious constitutional questions.

ARGUMENT

I. Award of Design Patents Under 35 U.S.C. §171 Violates the First Amendment

A. THIS COURT HELD IN *Feist* AND *Eldred* THAT THE IDEA/EXPRESSION DISTINCTION AND FAIR USE DOCTRINE ARE CONSTITUTIONALLY REQUIRED TO MAKE COPYRIGHT CONSISTENT WITH THE FIRST AMENDMENT

This Court recognized in *Feist Publications, Inc.* v. *Rural Telephone Service Co., Inc.*, 499 U.S. 340 (1991), that copyright's dichotomy between unprotected ideas and protected expression is not "some unforeseen byproduct of a statutory scheme."

> It is, rather, "the essence of copyright," and a constitutional requirement. The primary objective of copyright is not to reward the labor of authors, but "to promote the Progress of Science and useful Arts." U.S. Const. Art. I, §8, cl. 8. Accord *Twentieth Century Music Corp.* v. *Aiken*, 422 U.S. 151, 156 (1975). To this end, copyright assures authors the right to their original expression, but encourages others to build freely upon the ideas and information conveyed by a work. This principle, known as the idea/expression or fact/expression dichotomy, applies to all works of authorship."

Feist, *supra*, 499 U.S. at 349-350 (citations omitted).

This Court held in *Eldred v. Ashcroft*, 537 U.S. 186, 219 (2003), that the First Amendment precludes the

extension of statutory monopolies to abstract ideas. As you there said, the near-simultaneous adoption of the Patent and Copyright Clause and the First Amendment indicates that these laws are fundamentally compatible. This compatibility, however, depends on a construction of the patent and copyright laws that preserves First Amendment principles, including the freedom to communicate any "idea, theory, and fact." *Id.*

Eldred, *supra*, identified two mechanisms in copyright law that are necessary to accommodate this principle. First, the idea/expression dichotomy limits copyright's monopoly to an author's expression, leaving ideas "instantly available for public exploitation." *Id.* Second, the fair use doctrine allows the public to use even copyrighted expression for some purposes, "such as criticism, comment, news reporting, teaching..., scholarship, or research" *Id.* at 220.

Patent statutes, which depend on the same constitutional grant of authority as copyright statutes, are similarly limited by the First Amendment. See *Eldred*, 537 U.S. at 201 ("Because the Clause empowering Congress to confer copyrights also authorizes patents, congressional practice with respect to patents informs our inquiry.") The presence of an unwavering exemption for abstract ideas reconciles patent law with the First Amendment in a fashion similar to the idea/expression dichotomy's crucial role in reconciling copyright and freedom of speech with respect to utility patents. The presence of some limiting principle is even more necessary with respect to patent law than with respect to copyright, because, as you observed in *Eldred*, "the grant of a patent... prevent[s] full use by others of the inventor's knowledge." 537 U.S. at 217 (citation omitted). Patents can and do limit the ap-

plication of knowledge to produce a new machine or to transform an article into a different state or thing, but they cannot constitutionally limit the communication of knowledge or ideas. *Eldred* teaches that, without this limitation, determining the scope of patent eligibility in each individual case would raise First Amendment questions of great difficulty.

But the present case sets before this Court, for the first time in more than a century, a patent not on a useful invention, but on a design. What the Court has recognized as a limitation harmonizing utility patents with the First Amendment, namely the prohibition on the patenting of abstract ideas, such as mathematics, algorithms, or facts of nature, *see Diamond* v. *Diehr*, 450 U.S. 175 (1981); *Parker* v. *Flook*, 437 U.S. 584 (1978); *Bilski* v. *Kappos*, 561 U.S. 593 (2010); *Alice Corp. Pty. Ltd.* v. *CLS Bank Int'l*, 134 S. Ct. 2347 (2014), has no purchase with respect to patents on "ornamental design." Unless some other constitutional limitation is present, this Court's decisions over the course of the last 120 years force the conclusion that Congress cannot offer patent protection to such designs at all.

Patent law also recognizes no analogue to fair use, previously described by this Court as the second bulkwark of constitutional harmony between copyright and free expression. *See Eldred*, 537 U.S., at 219-220. The absence of any provision for fair use substantially increases the constitutional difficulty when patents are sought and granted for "ornamental design."

B. "Ornamental Design" is Speech Protected Under the First Amendment, Whose Requirements Do Not Vary Whether the Speech is Patented or Copyrighted

One patent at issue in the present case claims an "ornamental design" for any object (media player, mobile phone, personal digital assistant, "novelty item" or "toy") shaped as indicated in the drawings accompanying the application, which depicts a roughly rectangular slab with rounded corners and some additional decorative features on the front, sides, and back of the slab. U.S. Design Patent No. 618,677

Any such design, or set of drawings embodying the design, are speech protected by the First Amendment, just as much as a political cartoon, *see Hustler Magazine* v. *Falwell*, 485 U.S. 46 (1988), or an advertisement for a casino, *see Posadas de Puerto Rico Assocs.* v. *Tourism Co.*, 478 U.S. 328 (1986). If Congress criminally prohibited or imposed prior restraint on such speech, the particular doctrinal label under which it did so would be irrelevant to the statute's evident unconstitutionality. A statute conveying a monopoly lasting decades over any use of the design, the cartoon or the advertisement must also meet First Amendment requirements somehow, because it prohibits everyone not having permission from the monopoly holder from using the design. Calling the relevant grant of monopoly "patent" rather than "copyright" in no way alters the degree to which the subject is protected speech. If in the present instance the design were treated under copyright law, Congress would be constitutionally required, under this Court's holdings, to differentiate between the expression of the design and

any idea (having, e.g. rounded corners) it contained, and to provide for a defense of fair use, rather than liability for "colorable imitation." *See* 35 U.S.C. §289. Those constitutional constraints cannot be lifted by calling the statutory monopoly a "patent," rather than a "copyright."

C. State-Granted Monopolies Over Speech Protected by the First Amendment Must Be Limited

Because the subject matter of design patents is speech protected by the First Amendment, any statute purporting to convey a long-term monopoly to a single "owner" must be limited in some fashion in order to conform to First Amendment requirements. No less than in the case of words, suppression of particular designs runs "a substantial risk of suppressing ideas in the process." *Cohen* v. *California*, 403 U.S. 15, 26 (1971). By way of comparison, the limitations imposed on the ability to grant trademark monopolies are the previous accumulation of market value in the word or mark "as the result of organization and the expenditure of labor, skill, and money," *International News Service* v. *Associated Press*, 248 U.S. 215, 239 (1918), and the fact that the breadth of the monopoly is only over uses of the mark necessary to avoid confusion. This Court has held that Congress can establish a monopoly right in a particular word or symbol without limitation to the property right necessasry for the avoidance of confusion, *see San Francisco Arts & Athletics* v. *United States Olympic Committee*, 483 U.S. 522 (1987), but only in the case where the word or mark had acquired "commercial and promotional value" as "'the end result of much time, effort, and ex-

pense.'" *Id.* at 532-533, (quoting *Zacchini* v. *Scripps-Howard Broadcasting Co.*, 433 U.S. 562, 575 (1977)).

But 35 U.S.C. §171 states baldly, without any qualification or limitation that "[w]hoever invents any new, original and ornamental design for an article of manufacture may obtain a patent therefor." The only requirement of patentability for the design is originality, also the basic requirement for copyrightability. There is no doubt that the drawings or other materials fixing the supposedly patentable design in a tangible medium of expression are also subject to copyright. But where such copyrightable works *must*, as this Court has repeatedly made clear, be subject to limitation to the protection of expressions rather than ideas, and to broad, equitable defenses of fair use, §171—on no further predicate than originality alone—purports to grant rights untrammeled by these or equivalent limitations. Even if the burdens on First Amendment rights created here were merely incidental, the absence from patent doctrine of limitations present in copyright would be sufficient to show that the restrictions are greater than necessary in order to serve the government interest at stake. *See United States* v. *O'Brien*, 391 U.S. 367, 377 (1968).

The entire modern history of the First Amendment has transpired since this Court last considered a design patent. *See Smith* v. *Whitman Saddle Co.*, 148 U.S. 674 (1893). It is apparent that long absence of constitutional scrutiny by no means implies constitutional propriety. In a proper case, this Court should hold 35 U.S.C. §171 invalid, leaving Congress to enact such additional measures of restriction on the scope and such additional defenses for fair use as would bring design patents within the constitutional ambit, or to remit the function performed by such patents to

be performed instead by the Copyright and Lanham Acts.

II. To Avoid Constitutional Infirmity, This Court Must Reject the Reading Below of 35 U.S.C. §289

Petitioners did not raise below the issue of §171's constitutionality, nor did the Court of Appeals consider and decide the question. Amicus concedes that it is not therefore properly before this Court for decision in the instant case. But the apparent constitutional infirmity of §171 is determinative of the question presented here, because a rule confiscating all profits gained by the seller of an article infringing a monopoly that overbroadly burdens First Amendment rights is in itself constitutionally offensive.

A. Allowing the Confiscation of All Profits for the Infringement of an Unconstitutional State-Granted Monopoly Over Protected Speech Violates the First Amendment

The "total profits" rule for measuring damages for the infringement of design patents contained in 35 U.S.C. §289, as read by the court below, affords the holder of patents on ornamental designs an essentially punitive power, unrelated to the proportionality principle of adequate compensation not less than "a reasonable royalty" established as the measure of damages for useful inventions involving novel and unobvious technical learning valuably disclosed to the public through a utility patent application. See 35 U.S.C.

§284. The "total profits" rule of §289 also exceeds the standard applicable in copyright, where the infringing defendant is entitled to prove the portion of its profit "attributable to factors other than the copyrighted work [infringed]." *See* 17 U.S.C. §504(b).

Damages awarded without proportionality to the plaintiff's loss or the defendant's independent contribution to its profit are intentionally confiscatory. The imposition of such damages amounts to Congressional authorization of a punitive exaction for "colorable imitation" of "ornamental design," which is speech protected by the First Amendment. *See* 35 U.S.C. §289. This Court has held that punitive damages cannot constitutionally be awarded for defamatory falsehood, even with respect to private figures, absent a finding of constitutional malice. *See Gertz* v. *Robert Welch, Inc.*, 418 U.S. 323, 349 (1974). The State's interest in preventing defamation, this Court held, is not sufficient to justify a damages rule that "unnecessarily exacerbates the danger of ... self-censorship." *Id.* at 350. No showing of any intention to infringe is necessary in order to take all profits, whether or not related to the infringement, under §289 as read by the Court below. There can be no doubt that such a damages rule risks precisely the "chilling effect" on protected speech that this Court has shown repeatedly it is the purpose of First Amendment doctrine to avoid. If the Federal Circuit's reading of §289 is correct, liability without fault can in patent law lead to damages unrelated to compensation for "colorable imitation" of a state-granted monopoly on protected speech.

CONCLUSION

The provision for patents on "ornamental design" in 35 U.S.C. §171 is incompatible with the requirements the First Amendment imposes on any statute passed by Congress under the power delegated by Article I, §8. In an appropriate case, this Court should invalidate the provision or impose upon it the doctrinal limitations appropriate, parallel to those recognized by this Court's cases concerning copyright. The interpretation below of the "total profits" rule of 35 U.S.C. §289, which authorizes essentially punitive damages for protected speech absent showing of fault or constitutional malice, raises constitutional questions. Either §289 must be interpreted to avoid these infirmities, or it cannot stand. Accordingly the decision below should be reversed.

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Petitioners,

v.

APPLE INC.,

Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

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TABLE OF CONTENTS

Page

TABLE OF AUTHORITIES iii

INTEREST OF AMICI CURIAE 1

SUMMARY OF ARGUMENT 1

ARGUMENT 3

I. DESIGN PATENTS PROVIDE IMPORTANT INTELLECTUAL PROPERTY PROTECTION FOR ESTABLISHED AND EMERGING DESIGNERS IN THE FASHION INDUSTRY 3

A. The Fashion Industry is an Important Driver of U.S. Economic Growth 3

B. Innovative Design is Critical to the Fashion Industry 5

C. Design Pirates Cause Substantial Economic and Creative Harm to both Established and Emerging Fashion Designers 7

D. Design Patents are an Important Tool for Designers to Protect Their Designs 11

II. FURTHER LIMITING THE TOTAL PROFITS DAMAGES REMEDY WOULD HARM THE FASHION INDUSTRY AND THE U.S. ECONOMY 14

A. The Total Profits Remedy Effectively Dissuades Design Pirates 15

B. Without a Meaningful Remedy, Design Patents Cannot Create the Incentives Necessary to "Promote the Progress of ... Useful Arts" 17

C. This Court Should Not Ignore the Plain Language of § 289 and Congress's Plain Intent in Passing It Based on Hypothetical Policy Concerns 20

CONCLUSION 21

TABLE OF AUTHORITIES

Cases

Birdsall v. Coolidge,
93 U.S. 64 (1876) 17

Fashion Originators Guild of Am., Inc., v. Fed. Trade Comm'n,
114 F.2d 80 (2d Cir. 1940) 12

Fruit of the Loom, Inc. v. Girouard,
994 F.2d 1359 (9th Cir. 1993) 6

Fun-Damental Too, Ltd. v. Gemmy Indus. Corp.,
111 F.3d 993 (2d Cir. 1997) 13

Jay Franco & Sons, Inc. v. Franek,
615 F.3d 855 (7th Cir. 2010) 14

Octane Fitness, LLC v. Icon Health & Fitness, Inc.,
572 U.S. __ (2014) 18

Soptra Fabrics Corp. v. Stafford Knitting Mills, Inc.,
490 F.2d 1092 (2d Cir. 1974) 13

Wal-Mart Stores Inc. v. Samara Brothers, Inc.,
529 U.S. 205 (2000) 14, 16

Constitutional Provisions

U.S. CONST. art. I, § 8, cl. 8 19

Statutes

15 U.S.C. § 1127 13

17 U.S.C. § 1302 12

35 U.S.C § 171 11

35 U.S.C. § 173 11

35 U.S.C. § 283 ..... 15, 16

35 U.S.C. § 284 ..... 15, 16, 17

35 U.S.C. § 285 18

35 U.S.C. § 289 ..... passim

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80 Fed. Reg. 17,918 (Apr. 2, 2015) 11

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INTEREST OF AMICI CURIAE[1]

Amici curiae are members of the fashion industry who have secured design patents to help protect their innovative designs.

For almost 180 years, amicus Tiffany & Co. has been one of the most iconic luxury brands in American fashion. Amicus Adidas AG is one of the largest sportswear manufacturers in the world. Amicus Jenny Yoo Collection, Inc., is an American innovator in bridal fashion. Amici make substantial investments in developing novel designs, and have been securing design patents since the nineteenth, twentieth, and twenty-first centuries respectively to protect their innovations from design pirates.

Amici have an interest in highlighting the unique function of design patents in the fashion industry, which differs in various ways from the technology industry highlighted in the parties' briefs. Moreover, the Court's decision in this case will directly affect the value of amici's design patents and by extension the distinctive designs that those patents protect.

SUMMARY OF ARGUMENT

The fashion industry is of critical social, cultural, and economic significance. It is a $1.2 trillion global industry based on the constant creation of fresh and groundbreaking designs.

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[1] Pursuant to Supreme Court Rule 37.3(a), all parties have consented to the filing of this brief. Pursuant to Rule 37.6, amici certify that no counsel for a party authored this brief in whole or in part, and no persons other than amici curiae or their counsel made a monetary contribution to its preparation or submission.

Fashion designers invest enormous amounts of capital, time, and sweat equity in creating innovative designs that capture consumers' attention and drive consumption. Design pirates capitalize on the huge investments made by fashion designers by copying only popular and successful designs. They operate swiftly and anonymously from off-shore havens, producing low-cost, high-volume knockoff goods that saturate the market and prevent legitimate designers from reaping the rewards of their investments. In doing so, design pirates create a disincentive to invest in future designs and inhibit creativity.

Enforcing intellectual property rights against design pirates is notoriously difficult. Although trademark law and copyright law provide protection for some design elements—trademark protects a recognizable logo, name, or mark while copyrights protect specific aspects of a garment such as the fabric design or individual pattern—they do not protect the overall appearance of most fashion designs. Design patents do provide protection to fashion designers for new, original, and ornamental designs for articles of manufacture but it is still extremely difficult to enforce design patent rights against design pirates, who often are anonymous, fly-by-night, off-shore entities. Because the inherent limitations of these intellectual property regimes leave fashion designers open to encroachment of design pirates, the total profits regime enshrined in § 289 of the Patent Act (35 U.S.C. § 289) is critical to address the harm caused by design piracy. The total profits rule helps to ensure that designers have the appropriate incentives and rewards to make investments in

innovative designs. By ensuring that a design pirate cannot profit from design patent infringement, § 289 discourages many would-be design pirates and, consequently, encourages investment in creative designs.

Rewriting § 289 to limit a design patentee's remedy to the portion of the infringer's profits that the patentee can prove is due to the patented design elements, rather than the infringer's total profits on the article of manufacture, would significantly reduce the protection provided by design patents. Other measures of damages cannot provide the same level of deterrence. And engrafting an apportionment damages scheme onto design patents would increase the costs of enforcing design patents while decreasing the efficiency of litigation and the likelihood of settlement. Moreover, the Court should not ignore the original intent of § 289, which applies to *any* article of manufacture to which a patented design is applied, by prioritizing hypothetical and speculative concerns over the very real concerns of the fashion industry.

ARGUMENT

I. Design Patents Provide Important Intellectual Property Protection for Established and Emerging Designers in the Fashion Industry

A. The Fashion Industry is an Important Driver of U.S. Economic Growth

The fashion industry represents one of the largest drivers of economic growth in the United States, with nearly $370 billion spent annually on

apparel and footwear in America. Joint Econ. Comm., U.S. Cong., *The Economic Impact of the Fashion Industry* at 1 (Sept. 2015), available at http://www.jec.senate.gov/public/_cache/files/2523ae10-9f05-4b8a-8954-631192dcd77f/jec-fashion-industry-report----sept-2015-update.pdf. New York, which is the largest retail market in the country and the fashion capitol of the United States, generates more than $18 billion in annual retail sales. *Id.* at 3. New York Fashion Week's yearly economic impact includes approximately $532 million in direct visitor spending and $865 million in total economic impact each year. N.Y.C. Econ. Dev. Corp., *Fashion.NYC.2020* 10 (2012), available at http://www.nycedc.com/resource/fashionnyc2020.

The fashion industry employs more than 1.8 million workers across the country in a wide range of occupations, including computer programmers, lawyers, accountants, copywriters, social media directors, project managers, sewing machine operators, tailors, fabric and apparel patternmakers, and, of course, fashion designers. Joint Econ. Comm., *supra*, at 1-2. There are roughly 18,000 fashion designers working in the United States—a figure that has grown by over 50 percent in the past ten years. *Id.* at 2.

The fashion industry is structurally and organizationally diverse. *See* Econ. Info. & Research Dep't, L.A. Cty. Econ. Dev. Corp., *Los Angeles Area Fashion Industry Profile* (2003), available at http://www.laedc.org/reports/fashion-2003.pdf (noting that fashion "is a highly sophisticated industry involving fashion & market research, brand licensing/intellectual property rights, design, materials engineering ..., product

manufacturing, marketing, and finally distribution").

It includes large design houses, independent one-person design shops, wholesalers, and major international retailers. Although the fashion industry in the United States is concentrated in New York and California, "fashion is now having a big economic impact not only in fashion centers on the coasts, but also in smaller cities around the country." Joint Econ. Comm., *supra*, at 1. Dallas, Kansas City, Columbus, and Nashville are emerging as fashion centers and are producing designers that are impacting trends in the industry *Id.* at 4.

B. Innovative Design is Critical to the Fashion Industry

Fashion designers are "the profession at the heart of the industry's creative process." *Id.* at 2. It is a designer's inventive and fresh designs that inspire consumers, capture the attention of the fashion media, and allow fashion designers to compete with one another for sales. As Congress recognized more than a century ago, "it is the design that sells the article." H.R. Rep. No. 49-1966, at 3 (1886).

Fashion designs serve as a form of self-expression for consumers who purchase clothing, shoes, or accessories from their preferred designers. "An attractive product may be associated with high fashion and image and will likely create a strong sense of pride among its owners." Karl T. Ulrich & Steven D. Eppinger, *Product Design and Development* 213 (5th ed. 2012). Indeed, consumers purchase fashion not only for utilitarian reasons

but also to make a fashion statement. *Fruit of the Loom, Inc. v. Girouard*, 994 F.2d 1359, 1361 (9th Cir. 1993) (noting that allegedly infringing underwear was purchased "for a fashion statement" and not for "utilitarian purposes" and that they were "chosen with care"); *see also* Susan Scafidi, *Written Statement on H.R. 5055, The Design Piracy Prohibition Act* 2 (July 27, 2006) ("Fashion, however, is not just about covering the body—it is about creative expression."). Participating in trends and being "in-fashion" is one way in which individuals engage in social life. Promoting innovation in fashion by protecting fashion designs therefore has an inherent social and cultural benefit.

Because innovative design is so important in the fashion industry, designers invest substantial time, effort, and resources in designs that are original, groundbreaking, and that have consumer appeal. A designer typically spends eighteen to twenty-four months from the time the design is first sketched to the manufacture of the final product. Laura C. Marshall, *Catwalk Copycats: Why Congress Should Adopt a Modified Version of the Design Piracy Prohibition Act*, 14 J. INTELL. PROP. L. 305, 311 (2007); *see also* Bureau of Labor Statistics, U.S. Dep't Of Labor, *Occupational Outlook Handbook: Fashion Designers* (2014-2015 ed.), available at http://www.bls.gov/ooh/arts-and-design/fashion-designers.htm#tab-3 (2007) (noting that "fashion designers work many hours to meet production deadlines or prepare for fashion shows"). After a design debuts on the runway, it may still take another four months for the product to reach a retail store. Elizabeth Ferrill & Tina Tanhehco,

Protecting the Material World, 12 N.C. J. L. & TECH. 251, 264 (2011). Just one season for a fashion design can cost millions of dollars. *Id.*

Given the substantial economic stakes, ensuring effective and thorough protection of original designs from knockoff artists is a high priority for fashion designers. A total profits damages regime helps to ensure that investments in innovative designs are properly incentivized and rewarded.

C. Design Pirates Cause Substantial Economic and Creative Harm to both Established and Emerging Fashion Designers

Fashion designers and the fashion industry are under siege from legions of design pirates and knockoff artists. Often these design pirates are anonymous, off-shore entities that strategically produce low-cost, high volume copies of popular and successful designs, thereby capitalizing on the investments made by fashion designers at great economic and creative harm to those designers and the industry as a whole.

Design piracy "describes the increasingly prevalent practice of enterprises that seek to profit from the invention of others by producing copies of original designs under a different label." Council of Fashion Designers of Am., *CFDA Applauds Design Prohibition Act* (Dec. 31, 2009), http://cfda.com/the-latest/cfda-applauds-design-prohibition-act. Design piracy is distinct from counterfeiting, which is "the practice of imitating fashion designs with the intent to deceive buyers of the apparel's true content or origin by mimicking the details of the design and the name brand logo." Biana Borukhovich, *Fashion*

Design: The Work Of Art That Is Still Unrecognized In The United States, 9 WAKE FOREST INTELL. PROP. L.J. 155, 156 (2009). Counterfeiting is a type of design piracy because "[o]ne has to copy the design first before attaching the counterfeit label. Design piracy is counterfeiting without the label." *Id.* (citing Laura Goldman, Fashion Piracy, BPCOUNCIL (2007)).

Although design piracy is not new, it has been exacerbated by technology and increased information dissemination, the sum of which allows copying to occur faster, on a larger scale, and at a lower cost than ever before. When design piracy thrives, the investment of capital, time, and effort designers make to produce their original designs is eviscerated. In contrast to the two-year time-frame high-end designers invest in their designs, design pirates take as few as four to six weeks to get their products to the market. Ferrill & Tanhehco, *supra*, at 264. High-end designs are available on the internet within hours of debuting on the runway or the red carpet. *Id.* at 266. Fashion websites and celebrity blogs display photographs of the designs from every angle, and often include close up images of design details with accompanying editorial descriptions of the designs. *Id.* Technology thus ensures that design pirates not only do not need to wait for the originals to hit the showroom floors, but they need not incur the expense of traveling to the runway shows or the red carpet events to copy designs for mass production. *Id.* Indeed, a pattern based on a website photograph or Internet broadcast of a runway show can be transmitted electronically to a low-cost contract manufacturer who can produce products in high volumes. And

electronic communications and express shipping ensure that finished products are brought to market on an express timeframe.

Design piracy causes substantial economic harms. Earlier this year, the European Union (EU) and the Organisation for Economic Co-operation and Development (OECD) issued a report that found that the value of imported fake goods worldwide was $461 billion in 2013.[2] *See* OECD & EUIPO, *Trade in Counterfeit and Pirated Goods: Mapping the Economic Impact* 11 (2016), available at www.oecd.org/governance/trade-in-counterfeit-and-pirated-goods-9789264252653-en.htm. The report noted that U.S., Italian, and French brands were the hardest hit. *Id.* at 50. The report also found that the United States was "[t]he top countr[y] whose companies had their intellectual property rights infringed" and that those companies' "brands or patents were affected by 20% of the knock-offs...." *Id.* A similar report from 2008 found that counterfeiting and design piracy cost the U.S. economy between $200-$250 billion per year, and that knockoff merchandise was responsible for the loss of 750,000 American jobs. Borukhovich, *supra*, at 157 (citing Int'l Anticounterfeiting Coal., GET REAL – *The Truth About Counterfeiting* (2008)).

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[2] The report includes figures on counterfeit and knockoff goods. Because design piracy is not a criminal offense in the United States, it is difficult to find figures for knockoffs apart from counterfeits. However, because counterfeiting is a type of design piracy (*see supra* at 8), these figures serve as a meaningful proxy for the economic consequences caused by knockoffs.

Knockoffs affect established designers through the loss of substantial revenue and exclusive control over the use of original designs, but fashion piracy has an especially devastating impact on emerging designers. While established fashion designers and couture houses have the resources to survive copycat designs, knockoffs can and have stalled the rise of emerging designers, who "remain vulnerable to knockoff artists" who "can effectively put young designers out of business before they even have a chance." Diane von Furstenberg, *Fashion Deserves Copyright Protection*, L.A. Times, Aug. 24, 2007, http://www.latimes.com/opinion/la-oew-furstenberg24aug24-story.html. Design piracy devalues the designer's creation before he or she can reap any return on the investment.

Knockoffs further harm established and emerging designers alike by disincentivizing creative design efforts. Developing fashion designs is neither easy nor inexpensive. As described above, it is a time-intensive, iterative process that may or may not result in a commercial success. It is not easy for fashion designers to predict what will resonate with the consuming public given how swiftly the fashion winds shift. And many fashion designs never make it to the runway or the showroom. Design pirates avoid the costs associated with creating original designs through that trial and error process and capitalize on the investments made by the fashion designers at a fraction of the cost by only copying popular and successful designs. If efforts by knockoff artists are not dissuaded by the threat of an intellectual property regime with appropriate remedies, there is far less of an incentive for fashion designers to

continue to invest the time, effort, and funds to produce goods that will resonate with consumers.

D. Design Patents are an Important Tool for Designers to Protect Their Designs

Design patents are an important tool for fashion designers because they offer protection for original designs where other intellectual property regimes fall short.

Design patents provide patent protection to inventors of "new, original, and ornamental design for an article of manufacture." 35 U.S.C § 171. These patents protect the way something looks, as opposed to more commonly known utility patents, which protect the way something is used and works. U.S. Patent & Trademark Office, Manual of Patent Examining Procedure §1502.01 (2015), available at https://mpep.uspto.gov/RDMS/MPEP/current#/current/d0e150114.html (noting as a point of contrast that "a utility patent protects the way an article is used and works, while a design patent protects the way an article looks"). The design for an article consists of the visual characteristics embodied in or applied to an article. *Id.* at § 1502. The subject matter of a design patent application may relate to the configuration or shape of an article, to the surface ornamentation applied to an article, or to the combination of configuration and surface ornamentation. *Id.* Design patents grant the patent owner a statutory limited monopoly for 15 years from the date of grant (or 14 years for applications filed before May 13, 2015), and are not renewable. 35 U.S.C. § 173; 80 Fed. Reg. 17,918, 17,918 (Apr. 2, 2015).

Fashion designers have increasingly turned to design patents to protect their original creations.[3] In part, this is because fashion design lacks protection against copying under other intellectual property regimes in the United States. While certain design elements may be protected through the application of copyright, trademark, or trade dress law, the overall appearance of most fashion designs is still vulnerable to the encroachment of design pirates. *See* Susan Scafidi, Intellectual Property and Fashion Design, in 1 Intellectual Property and Information Wealth 115, 121 (Peter K. Yu ed., 2006).

For example, copyright laws provide minimal protection for fashion designs. A fashion design does not receive copyright protection if it is "embodied in a useful article that was made public by the designer or owner in the United States or a foreign country more than 2 years before the date of the application for registration" under the Copyright Act. 17 U.S.C. § 1302. Courts have held that articles of clothing are "useful articles" not generally granted copyright protection. *See, e.g., Fashion Originators Guild of Am., Inc., v. Fed. Trade Comm'n*, 114 F.2d 80, 84 (2d Cir. 1940) (stating that dress designs are not copyrightable and "fall into the public demesne without reserve"), *aff'd* 312 U.S. 457 (1941). Copyrights are thus only available to protect specific parts of a garment or accessory such as the fabric design or individual

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[3] Although statistics are not available for all fashion-related design patents specifically, design patent applications have increased overall each year since 2009. *See generally* U.S. Patent & Trademark Office, Design Patents, January 1, 1991–December 31, 2015 (Mar. 2016).

patterns for each garment, but not the entire design of the item. *See, e.g., Soptra Fabrics Corp. v. Stafford Knitting Mills, Inc.*, 490 F.2d 1092, 1094 (2d Cir. 1974).

Trademark law is limited in its protection of fashion designs because it protects only a recognizable logo, name, or mark. To achieve trademark protection under the Lanham Act, the name or logo must distinguish it from other goods in commerce. 15 U.S.C. § 1127. Thus, if a designer as a matter of taste or marketing chooses not to have a visible logo on a design, then trademark laws will not provide any protection for that design. In addition, established and prominent fashion houses are more likely to be protected by trademark law because their famous brands have acquired distinctiveness. Emerging designs, by contrast, do not yet have the benefit of name recognition.

Trade-dress law is a subset of trademark law, and it also provides only limited protection for fashion designs. Trade dress is the totality of elements in which a product or service is packaged or presented. The elements combined create a whole visual image for a consumer and may be protected if it becomes a type of identifier or symbol of the source of origin. *See Fun-Damental Too, Ltd. v. Gemmy Indus. Corp.*, 111 F.3d 993, 999 (2d Cir. 1997) (holding that trade dress "encompasses the design and appearance of the product together with all the elements making up the overall image that serves to identify the product presented to the consumer"). This Court has held that product designs like garments are never "inherently distinctive" or intrinsically capable of source

identification. *Wal-Mart Stores Inc. v. Samara Brothers, Inc.*, 529 U.S. 205, 209-215 (2000).

Because U.S. copyright, trademark, and trade-dress laws offer incomplete protection for fashion designs, designers need the protection afforded by patent designs—and its total profits remedy provision—to protect clothing and accessories from design pirates and knockoff artists.

II. FURTHER LIMITING THE TOTAL PROFITS DAMAGES REMEDY WOULD HARM THE FASHION INDUSTRY AND THE U.S. ECONOMY

The efficacy of design patents will be significantly reduced if this Court rewrites § 289 to limit a design patentee's remedy to the portion of the infringer's profits that the patentee can prove is attributable to the patented design elements, rather than the infringer's total profits on the article of manufacture. As discussed, the remedy for design patent infringement is generally the only remedy available to fashion designers for piracy of their creative works. *Jay Franco & Sons, Inc. v. Franek*, 615 F.3d 855, 860 (7th Cir. 2010). Weakening that remedy therefore weakens fashion designers' right to their designs and by extension weakens the incentive for designers to innovate—both by reducing the likely gains from innovation and by increasing the likely gains from design piracy. With less protection from knockoffs and copycats, fashion designers, as well as the American fashion industry and the U.S. economy as a whole, will suffer.

A. The Total Profits Remedy Effectively Dissuades Design Pirates

Section 289 ensures that a design pirate cannot profit from design patent infringement and thus discourages most would-be infringers—particularly large, high-volume infringers who have little hope of avoiding detection. Importantly, § 289 is in many cases the only effective deterrent available to fashion designers.

Without the total profits remedy, design innovators would be forced to rely on the general measure of patent damages found in § 284. Under that provision, design infringers could expect that even if their infringement was detected and litigated, they would pay only a "reasonable royalty" for the infringing design. Given the investments required to bring fashion products to market, such a royalty award might well leave the infringer better off for having infringed the design patent. Consequently, the threat of such an award will have little to no deterrent effect. Likewise, the other measure of damages in § 284, damages sufficient to compensate the patentee for their losses, is unlikely to deter design pirates. Design patentees face intense challenges proving causation and damages from infringement, especially where, as in the fashion industry, the patentee primarily sells its original designs into a different market segment than the ones in which infringers sell their knockoffs.

Other remedies, such as injunctions from the International Trade Commission or the courts under § 283 are also unlikely to deter infringement in fast-moving industries like fashion. It takes time

for design patentees to detect infringement, identify the infringing entity, send cease-and-desist letters, and eventually institute litigation (assuming the infringing party can be identified and located); it takes longer still to secure an injunction. Obtaining an exclusion order to enable Customs enforcement of a design patent is no faster. Given the speed of the fashion trend cycle, and the fly-by-night character of many overseas infringers, design pirates would likely conclude in many cases that infringement would likely be profitable despite the risk of an injunction—an assessment they are less likely to make when the design patent owner is backed by a plausible threat of disgorging the infringer's total profits. *Cf. Wal-Mart Stores*, 529 U.S. at 214 (noting the deterrence effect from "the plausible threat of successful suit"). The time, expense, and difficulty of even identifying and locating design pirates, along with the time and expense of litigation, already make effective design patent enforcement unusually difficult. A new interpretation of § 289, significantly reducing a design pirate's expected losses in litigation, would make it harder still, rendering the patent right functionally worthless in many cases.

Given the inability of §§ 283 & 284 to provide meaningful deterrents to design patent infringement and given the limited protection provided to fashion designs by other intellectual property regimes, the total profits remedy of § 289 stands as the only statutory tool capable of deterring design pirates.

B. Without a Meaningful Remedy, Design Patents Cannot Create the Incentives Necessary to "Promote the Progress of ... Useful Arts"

As Congress recognized in enacting the predecessor to § 289, when the courts require patentees to apportion profits attributable to the patented design, "the design patent laws provide no effectual money recovery for infringement." H.R. Rep. No. 49-1966, at 1 (1886). Congress likewise recognized that the threat of a significant damages award—total profits—was so essential to the aims of the Design Patent Act that apportionment of profits "virtually repeal[s] the design patent laws." S. Rep. No. 49-206, at 2-3 (1886).

The total profits remedy in § 289 is largely motivated by deterrence, rather than compensation. Design pirates usually sell their knockoffs at lower—often much lower—prices than the patented original design. Reasonably assuming that innovators sell their patented designs at profit-maximizing prices, a design patentee is not made whole by taking an infringer's total profits from lower cost sales (even ignoring the costs of litigation). *Cf. Birdsall v. Coolidge*, 93 U.S. 64, 69-70 (1876) (discussing "manifest injustice" of limiting damages to the infringer's profits, where the patentee's losses are likely greater). By contrast, the generally applicable patent remedies of § 284 "award the claimant damages adequate to compensate for the infringement." Section 289 focuses instead on the infringer's gains, rather than the patentee's losses, in order to create a compelling deterrent not hamstrung by the difficulty of

discerning what would have happened but for the infringement.

Injecting a complex apportionment inquiry into design patent cases would significantly increase the cost to fashion designers of enforcing their design patents. Patentees would face increased attorney's fees and fees for the experts necessary to meet a new evidentiary burden on apportionment. Those increased costs are only recoverable in "exceptional cases," 35 U.S.C. § 285, which the district courts identify "in the case-by-case exercise of their discretion, considering the totality of the circumstance," after the fact. *Octane Fitness, LLC v. Icon Health & Fitness, Inc.*, slip op. at 8, 572 U.S. __ (2014).

Fashion design patentees' expected costs to enforce their design patents would further increase under an apportionment scheme because infringers would have much less of an incentive to settle. Under § 289 as written, a design pirate receiving a cease-and-desist letter from a design patent owner knows exactly how much it has to lose in litigation: its own total profits. These certainties create a strong incentive for design patent infringers to settle unless there are very substantial validity or infringement disputes. If the Court were to rewrite § 289 and alter the total profits remedy, infringers would be far more likely to take their chances with litigation in the hopes of coming out ahead after paying a fraction of their total profits in damages.

In addition to increasing costs, reading an apportionment requirement into § 289 would also be inefficient in the design patent context. Indeed, Congress recognized that the value of an aesthetic

feature protected by a design patent is often subjective and difficult to quantify. S. Rep. No. 49-206, at 1. For example, often design pirates will copy unique patented designs that constitute a portion of a greater design; for example, metal corners on an Alexander Wang handbag or the sole of a Timberland shoe. Although the copied design constitutes only a portion of the complete design, it is often the case that the copied portion of the design (*i.e.*, the hardware on the handbag or the sole of the shoe) resonates with consumers and drives demand for the overall article of manufacture. Congress designed § 289 in the first instance to overcome such allocation problems for design patents.

In short, faced with the certainty of higher costs, which are only recoverable in exceptional cases, reduced odds of settlement, and the increased uncertainty of recovering only apportioned profits, design innovators would be less likely to find it economically rational to enforce their design patents. When enforcement is less likely, the expected gains from infringement are higher; as a result, infringement is more likely. If the remedy for infringement of design patents neither dissuades design pirates from infringing nor compensates design innovators for infringement, then the patents will be unable to "promote the Progress of ... useful Arts" as the Constitution commands. Art. I, § 8, cl. 8.

C. This Court Should Not Ignore the Plain Language of § 289 and Congress's Plain Intent in Passing It Based on Hypothetical Policy Concerns

This Court should decline Petitioners' invitation to rewrite the design patent damages regime that Congress established in § 289 based upon the representation that certain technology companies do not need design patents as much as other industries, such as fashion. *See* Pet. Br. at 25 (contrasting protection of "carpets, wallpapers, and oil-cloths" with "complex products like smartphones"). Petitioners' amici explicitly argue that "Congress's 1887 assumption that 'it is the design that sells the article' may still be true of carpets, but it surely is not true of all products covered by design patents today," Profs. Br. at 4 (footnote omitted), and further that the Court should abandon the plain text of § 289 because "most modern products are complex, multicomponent creations covered by multiple patents," Engine Advocacy Br. at 7.

As Respondent shows (Br. 14-16), the account of design history presented by Petitioners and their amici is decidedly incomplete. And § 289 does not distinguish between different types of products. If Petitioners think that the law should make such a distinction, or that the law ought to be adjusted based on the hypothetical and speculative concerns of some—but by no means all—representatives of the technology sector, those arguments must be addressed to Congress, not to this Court. For the fashion industry, it is as true today as it was more than a century ago that "it is the design that sells the article." H.R. Rep. No. 49-1966, at 3 (1886).

The American fashion industry increasingly focuses on design, rather than on manufacturing that can be done more cheaply overseas. And for fashion, just as in other fields where manufacturing has been outsourced to lower-cost countries while design remains in America, intellectual property protections are more important now than ever. Without effective protection for "the design that sells the article," American designers cannot expect to turn a profit and thus cannot justify investment in innovation. Such investment is essential to maintain both the cultural and the economic contributions of the fashion industry.

Section 289 is essential policy as applied to fashion designs and decorative arts that—as even Petitioners acknowledge—Congress expressly sought to protect by enacting § 289. *See* Pet. Br. at 2. Petitioners' effort to have this Court rewrite § 289 to prioritize their individual needs should be rejected. Determining whether to reweigh the interests of various industries, or to craft a new law to strike a new balance among industrial interests, is a task committed to the Legislative Branch.

CONCLUSION

For the reasons herein, amici respectfully request that the Court affirm the judgment of the court of appeals.

Respectfully submitted,

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